

Fiscal Year 2020 Budget

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ENERGY NORTHWEST



Fiscal Year 2020 Energy Northwest Budget Summary

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Table of Contents

	<u>Table</u>	<u>Page</u>
Summary		3
Funding Requirements	Table 1	4
Operating and Capital Costs	Table 2	6
Summary of Full Time Equivalent Positions by Business Unit	Table 3	7

Summary

This document contains a summary of budgets for all Energy Northwest business units. This section has been prepared for information purposes only.

Energy Northwest operates six business units under various contractual agreements and Energy Northwest Board Resolutions. These business units include Columbia Generating Station, Project 1, Project 3, Packwood Hydroelectric Project, The Business Development Fund, and the Nine Canyon Wind Project. Energy Northwest also manages an Internal Service Fund which acts as an agency clearing account for disbursing agency-wide costs such as employee benefits and corporate programs to the various business units.

Table 1
Funding Requirements
(Dollars in Thousands)

<u>Funding Requirements</u>	FY 2020 Budget	Original FY 2019 Budget	Variance
Columbia (1)	\$ 1,038,864	\$ 1,106,747	\$ (67,883)
Packwood (2)	4,109	3,136	973
Nine Canyon Wind Project (3)	18,198	18,516	(318)
Project 1 (4)	45,674	44,829	845
Project 3 (5)	46,288	41,751	4,537
Business Development Fund (6)	16,538	10,703	5,835
General Business Unit (7)	354	42	312
Total Funding Requirements	<u>\$ 1,170,025</u>	<u>\$ 1,225,724</u>	<u>\$ (55,699)</u>

<u>Funding Sources</u>	FY 2020 Budget	FY 2019 Budget	Variance
Net Billing Revenues/Direct Pay	\$ 756,816	\$ 517,131	\$ 239,685
Note/Line of Credit Draws	-	168,000	(168,000)
Bond Proceeds from Capital Financing	67,781	109,722	(41,941)
Fuel Revenue	230,420	161,150	69,270
Revenues	31,491	31,058	433
Capital Reimbursement	5,640	-	5,640
Line of Credit/Fuel Revenue	67,760	230,420	(162,660)
Columbia Decommissioning Trust Funds	-	500	(500)
Working Capital/Receipts from Participants	6,066	4,002	2,064
BPA Decommissioning	4,051	3,741	310
Total Funding Sources	<u>\$ 1,170,025</u>	<u>\$ 1,225,724</u>	<u>\$ (55,699)</u>

- (1) See Table 8 on Page 14 of Columbia's Budget Documents
(2) See Table 5 on Page 9 of Packwood's Budget Documents
(3) See Table 4 on Page 9 of Nine Canyon's Budget Documents
(4) See Table 5 on Page 9 of Project 1's Budget Documents
(5) See Table 4 on Page 7 of Project 3's Budget Documents
(6) See Table 5 on Page 10 of Business Development's Budget Documents
(7) See Table 8 on Page 12 of General Business Unit's Budget Documents

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Table 2
Operating & Capital Costs
(Dollars in Thousands)

<u>Operating Costs</u>	FY 2020 Budget	Original FY 2019 Budget	Variance
Columbia (1)	\$ 524,169	\$ 555,021	\$ (30,852)
Packwood (2)	2,674	2,442	232
Nine Canyon Wind Project (3)	15,834	15,871	(37)
Project 1 (4)	27,495	25,585	1,910
Project 3 (5)	26,041	34,113	(8,072)
Business Development Fund (6)	10,127	10,549	(422)
Total Operating Costs	<u>\$ 606,340</u>	<u>\$ 643,581</u>	<u>\$ (37,241)</u>

<u>Capital Costs</u>	FY 2020 Budget	FY 2019 Budget	Variance
Columbia (1)	\$ 65,976	\$ 109,715	\$ (43,739)
Packwood (2)	1,696	819	877
Nine Canyon Wind Project (3)	59	60	(1)
Business Development Fund (7)	1,029	424	605
Total Capital Costs	<u>\$ 68,760</u>	<u>\$ 111,018</u>	<u>\$ (42,258)</u>

(1) See Table 3 on Page 7 of Columbia's Budget Document

(2) See Table 1 on Page 5 of Packwood's Budget Document

(3) See Table 1 on Page 5 of Nine Canyon's Budget Document

(4) See Table 1 on Page 4 of Project 1's Budget Document

(5) See Table 1 on Page 4 of Project 3's Budget Document

(6) See Table 1 on Page 5 of Business Development's Budget Document

(7) See Table 3 on Page 7 of Business Development's Budget Document

Table 3
Summary of Full Time Equivalent Positions by Business Unit(1)(2)

<u>Business Unit</u>	<u>FY 2020 Budget</u>	<u>FY 2019 Budget</u>	<u>Variance</u>
Columbia	993	1,036	(43)
Packwood	4	4	-
Nine Canyon Wind Project	12	12	-
Project 1	7	7	-
Project 3	1	1	-
Business Development Fund	29	24	5
Total Full Time Equivalent Positions	<u>1,046</u>	<u>1,084</u>	<u>(38)</u>

(1) Includes Full Time Equivalent positions for transition of new employees taking positions of retiring employees.

(2) Corporate Programs (A&G) Full Time Equivalent positions of 74 in Fiscal Year 2020 and 71 in Fiscal Year 2019 have been allocated and are included in the Business Units above.

Fiscal Year 2020 Columbia Generating Station Annual Operating Budget

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Table of Contents

	<u>Table</u>	<u>Page</u>
Summary		3
Key Assumptions/Qualifications		4
Memorandum of Agreement (MOA)	Table 1	5
Columbia Station Costs - Memorandum of Agreement Comparison	Table 2	6
Summary of Costs	Table 3	7
Summary of Full Time Equivalent Positions	Table 4	8
Projects Non-Labor	Table 5	9
Capital Projects Non-Labor Over \$750 Thousand	Table 5A	10
Expense Projects Non-Labor Over \$250 Thousand	Table 5B	10
Treasury Related Expenses	Table 6	11
Cost-to-Cash Reconciliation	Table 7	13
Statement of Funding Requirements	Table 8	14
Monthly Statement of Funding Requirements	Table 9	15

Summary

Energy Northwest's Columbia Generating Station (Columbia) is a 1,174 megawatt boiling water nuclear power station utilizing a General Electric nuclear steam supply system. The project is located on the Department of Energy's Hanford Reservation near Richland, Washington. The project began commercial operation in December 1984.

This Columbia Generating Station Fiscal Year 2020 Annual Operating Budget has been prepared by Energy Northwest pursuant to the requirements of Board of Directors Resolution No. 640, the Project Agreement, and the Net Billing Agreements. This document includes all capitalized and non-capitalized costs associated with the project for Fiscal Year 2020. In addition this document includes all funding requirements.

The total cost budget for Fiscal Year 2020 for Expense and Capital related costs are estimated at \$590,145,000 (Table 3), with associated total funding requirements of \$1,038,864,000 (Table 8). Using the Memorandum of Agreement basis for measuring Columbia's costs, budget requirements for Fiscal Year 2020 have been established at \$331,282,000 (Table 1) including escalation. In Fiscal Year 2020, Bonneville Power Administration will be directly paying the funding requirements on a monthly basis under the provisions of the Direct Pay Agreements. This will take the net billing requirements to zero, for the statements which are normally sent to participants in the project, and will be paid in accordance with the terms of the Net Billing Agreements. The Net Billing Agreements are still in place, but the direct cash payments from Bonneville Power Administration will simply take the participant payment amounts to zero. In the Direct Pay Agreements, Energy Northwest agreed to promptly bill each participant its share of the costs of the project under the Net Billing Agreements, if Bonneville fails to make a payment when due under the Direct Pay Agreements. Fiscal Year 2020 Capital costs will be funded by bond proceeds and are not included in the Fiscal Year 2020 direct pay requirements. Total direct pay requirements of \$668,852,000 (Table 8) will be the basis for billing directly to Bonneville Power Administration.

This budget is presented on a cost basis and includes a cost to cash reconciliation (Table 7) converting cost data to a cash basis. The Columbia Generating Station's Annual Budget (Table 8) is required by the various project agreements.

Comparison of the Fiscal Year 2020 Budget to the Fiscal Year 2019 Long Range Plan for Fiscal Year 2020 is included (Table 1). Comparison of the Fiscal Year 2020 Budget is made to the original budget for Fiscal Year 2019, dated April 26, 2018.

Key Assumptions/Qualifications

This budget is based upon the following key assumptions and qualifications:

- Fiscal Year 2020 cost of power is based on net generation of 9,833 GWh.
- There is not a refueling outage planned for Fiscal Year 2020.
- Risk reserves consist of a total of \$5.2 million.
- Unknown NRC mandates are excluded.
- All assumptions associated with Nuclear Fuel are referenced in the Columbia Fuel Plan Section.
- Other Specific Inclusions:
 - Sales tax calculated at 8.6 percent for appropriate items
- All Fiscal Year 2020 Capital expenses are expected to be funded by proceeds of the 2019AB transaction or will be funded by cash held as a result of Independent Spent Fuel Storage Installation Facility settlements with the Department of Energy.
- Fuel Revenue of \$230.42 million is expected to be received by September 30, 2020 from the Tennessee Valley Authority (TVA) related to the Depleted Uranium Enrichment Program (DUEP). Under the TVA Agreement, TVA is obligated to pay prior to September 30, 2020. However, to ensure the benefits are achieved in the appropriate rate period as originally contemplated under the DUEP, revenues will be received or line of credit proceeds will be received to fund the maturing debt prior to July 1, 2020.

Memorandum of Agreement (MOA) (1)
(Dollars in Thousands)

Description	FY 2019 (2)		Variance
	FY 2020 Budget	LRP for FY 2020 (2)	
Baseline	\$ 125,329	\$ 123,596	\$ 1,733
Indirect Allocations O&M	77,378	84,372	(6,994)
Expense Projects	7,021	8,414	(1,393)
Risk Reserve	-	1,533	(1,533)
Operations & Maintenance Total	\$ 209,728	\$ 217,915	\$ (8,187)
Capital Projects	\$ 47,619	\$ 50,104	\$ (2,485)
Indirect Allocations Capital	13,203	10,954	2,249
Risk Reserve	5,154	5,154	-
Capital Total	\$ 65,976	\$ 66,212	\$ (236)
Nuclear Fuel Related Costs	\$ 55,578	\$ 58,224	\$ (2,646)
Fuel Total	\$ 55,578	\$ 58,224	\$ (2,646)
Total	\$ 331,282	\$ 342,351	\$ (11,069)
Net Generation (GWh)	9,833	9,884	(51)
Cost of Power (\$/MWh)	\$ 33.69	\$ 34.64	\$ (0.95)

- (1) Columbia costs as defined by the Memorandum of Agreement between Energy Northwest and BPA. This measure includes operations and maintenance, capital additions and fuel related costs as well as an appropriate allocation of indirect costs (such as employee benefits, A&G, and information technology expenses).
- (2) Fiscal Year 2019 Long Range Plan for Fiscal Year 2020.

Table 2
Columbia Station Costs - Memorandum of Agreement Comparison (1)
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020</u> <u>Budget</u>	<u>Original</u> <u>FY 2019</u> <u>Budget</u>	<u>Variance</u>
Controllable Costs			
Energy Northwest Labor	\$ 81,858	\$ 83,022	\$ (1,164)
Baseline Non-Labor	55,710	56,559	(849)
Incremental Outage	-	22,600	(22,600)
Expense Projects Non-Labor	5,335	38,731	(33,396)
Capital Projects Non-Labor	37,066	71,241	(34,175)
Indirect Allocations	90,581	93,066	(2,485)
Risk Reserve	5,154	10,439	(5,285)
Subtotal Controllable	\$ 275,704	\$ 375,658	\$ (92,184)
Nuclear Fuel Related Costs			
Nuclear Fuel Amortization	\$ 55,578	\$ 51,537	\$ 4,041
Subtotal Nuclear Fuel Related	\$ 55,578	\$ 51,537	\$ 4,041
Total	\$ 331,282	\$ 427,195	\$ (88,143)
Net Generation (GWh)	9,833	8,777	1,056
Cost of Power (\$/MWh)	\$ 33.69	\$ 48.67	\$ (14.98)

(1) Columbia Costs as defined by the Memorandum of Agreement between Energy Northwest and BPA. This cost measure includes operations and maintenance and capital additions, fuel related costs as well as an appropriate allocation of indirect costs (such as employee benefits, and corporate programs).

Table 3
Summary of Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020</u> <u>Budget</u>	<u>Original</u> <u>FY 2019</u> <u>Budget</u>	<u>Variance</u>
<u>Controllable Expense</u>			
Energy Northwest Labor	\$ 71,305	\$ 68,801	\$ 2,504
Base Non-Labor	55,710	56,559	(849)
Expense Projects Non-Labor (1)	5,335	38,731	(33,396)
Incremental Outage	-	22,600	(22,600)
Indirect Allocations	77,378	76,314	1,064
Risk Reserve	-	2,938	(2,938)
Subtotal Controllable	\$ 209,728	\$ 265,943	\$ (56,215)
<u>Incremental</u>			
Nuclear Fuel Amortization	\$ 55,578	\$ 51,537	\$ 4,041
Generation Taxes	6,119	5,117	1,002
Subtotal Incremental	\$ 61,697	\$ 56,654	\$ 5,043
<u>Fixed</u>			
Treasury Related Expenses (2)	\$ 137,995	\$ 134,347	\$ 3,648
Decommissioning (3)	25,413	8,588	16,825
Depreciation	89,336	89,489	(153)
Subtotal Fixed	\$ 252,744	\$ 232,424	\$ 20,320
Total Operating Expense	\$ 524,169	\$ 555,021	\$ (30,852)
<u>Capital</u>			
Energy Northwest Labor	\$ 10,553	\$ 14,221	\$ (3,668)
Capital Projects Non-Labor (4)	37,066	71,241	(34,175)
Indirect Allocations	13,203	16,752	(3,549)
Capital Risk Reserve	5,154	7,501	(2,347)
Total Capital	\$ 65,976	\$ 109,715	\$ (43,739)
Total Expense and Capital	\$ 590,145	\$ 664,736	\$ (74,591)

(1) See Table 5B (page 10).

(2) See Table 6 (page 11).

(3) Includes ISFSI Decommissioning.

(4) See Table 5A (page 10).

Table 4
Summary of Full Time Equivalent (FTE) Positions*

Organization	Direct Charge	Corporate Allocation**	Laboratories Support	FY 2020 Budget	FY 2019 Budget	Variance
Chief Executive Officer	-	2	-	2	2	-
Vice President General Counsel	4	16	-	20	21	(1)
Vice President Nuclear Generation/Chief Nuclear Officer***	766	-	-	766	799	(33)
General Manager Energy Services & Development****	3	-	18	21	23	(2)
Vice President Corporate Services/Chief Financial Officer	<u>132</u>	<u>52</u>	<u>-</u>	<u>184</u>	<u>191</u>	<u>(7)</u>
Total	<u>905</u>	<u>70</u>	<u>18</u>	<u>993</u>	<u>1,036</u>	<u>(43)</u>

Note: FY 2019 Staffing has been reclassified for comparison purposes

* Includes project positions

* Includes employees supporting Capital Projects

* Excludes temporary positions

** Includes allocation of Corporate FTE Positions (94% in FY 2020 and 95% in FY 2019)

*** Includes employment "pipeline" for Operations and Security

**** Includes Environmental and Calibrations Laboratories support (18 FTE in FY 2020 and 19 FTE in FY 2019)

Table 5
Projects Non-Labor
(Dollars in Thousands)

<u>Description</u>	FY 2020 Budget	Original FY 2019 Budget	Variance
<u>Capital Projects</u>			
Plant Modifications	\$ 26,855	\$ 62,436	\$ (35,581)
Facilities Modifications	603	624	(21)
Information Technology	9,608	8,181	1,427
Subtotal Capital Projects	<u>\$ 37,066</u>	<u>\$ 71,241</u>	<u>\$ (34,175)</u>
<u>Expense Projects</u>			
Plant Modifications	\$ 4,395	\$ 37,950	\$ (33,555)
Facilities Modifications	940	781	159
Subtotal Expense Projects	<u>\$ 5,335</u>	<u>\$ 38,731</u>	<u>\$ (33,396)</u>
 Total	 <u>\$ 42,401</u>	 <u>\$ 109,972</u>	 <u>\$ (67,571)</u>

Table 5A
Capital Projects Non-Labor Over \$750 Thousand
(Dollars in Thousands)

<u>Plant Modifications and Information Technology</u>	<u>FY 2020 Budget</u>
Low Pressure Turbine Rotor Replacement	\$ 3,871
Reactor Water Clean-up Heat Exchanger Replacement	3,055
Direct Current Battery Replacement	2,915
Main Turbine Valve Maintenance	2,557
Reactor Recirculation Pump 1A Replacement	2,304
Asset Suite Upgrade	2,000
License Renewal Implementation	1,869
Plant Fire Detection Upgrade	1,197
Area Wide Life Cycle	850
Main Generator Protective Relay Replacement	826
All Other Projects < \$750 Thousand	15,622
Total Capital Projects Non-Labor	<u><u>\$ 37,066</u></u>

Table 5B
Expense Projects Non-Labor Over \$250 Thousand
(Dollars in Thousands)

<u>Plant Modifications & Major Maintenance(MM)</u>	<u>FY 2020 Budget</u>
Emergency Diesel Generator Maintenance	\$ 1,296
Cooling Tower Preventative Maintenance	800
Spent Fuel Pool Clean-up	486
In-Service Inspections	328
Valve Program Project	321
All Other Projects < \$250 Thousand	2,104
Total Expense Projects Non-Labor	<u><u>\$ 5,335</u></u>

Table 6
Treasury Related Expenses
(Dollars in Thousands)

<u>Description</u>	Original		Variance
	FY 2020 Budget	FY 2019 Budget	
Interest Expense (1)	\$ 155,341	\$ 150,326	\$ 5,015
Build America Bond Subsidy (2)	(4,115)	(4,098)	(17)
Interest on Note (3)	9,235	4,736	4,499
Amortized Financing Cost (4)	(21,505)	(16,011)	(5,494)
Investment Income (5)	(1,606)	(1,336)	(270)
Treasury Svcs/Paying Agent Fees (6)	645	730	(85)
Total	\$ 137,995	\$ 134,347	\$ 3,648

Assumptions

- (1) Budget assumes approximately \$222.3 million in principal will be refunded in FY 2019 and approximately \$249.7 million during FY 2020.
- (2) Build America Bonds were expected to receive a subsidy from the Treasury for 35% of the interest payments. Reductions have been implemented as part of the Congressional budget cuts.
- (3) A portion of Columbia Operations and Maintenance and bond interest expenses has been funded by lines of credit that enable the acceleration of Bonneville federal debt repayments as part of the regional cooperation debt initiative.
- (4) The amortized financing costs are driven by the amortization of the premiums on bond issues.
- (5) Includes income on investment of monies held in the Interest and Principal Accounts and the Capital Fund which can be transferred periodically to the Revenue Fund.
Projected investment income earning rates are forecasted to average 2.25%.
- (6) Includes all non-interest costs of banking, debt and internal labor and overheads.

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Table 7
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2020 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2020 Total Cash
<u>Operating</u>						
Controllable - Expense	\$ 209,728	\$ -	\$ -	\$ -	\$ -	\$ 209,728
Controllable - Capital	65,976	-	1,843	-	-	67,819
Nuclear Fuel	55,578	(55,341)	20,120	-	-	20,357
Fuel Litigation	-	-	185	-	-	185
Spares/Inventory Growth	-	-	5,300	-	-	5,300
Generation Taxes	6,119	-	(722)	-	-	5,397
Subtotal Operating	\$ 337,401	\$ (55,341)	\$ 26,726	\$ -	\$ -	\$ 308,786
<u>Fixed Expenses</u>						
Treasury Related Expense						
Interest on Bonds	\$ 155,341	\$ -	\$ -	\$ -	\$ -	\$ 155,341
Build America Bond Subsidy	(4,115)	-	-	-	-	(4,115)
Interest on Note Payable	9,235	-	-	-	-	9,235
Payoff of Note Principal	-	-	457,420	-	-	457,420
Bond Retirement	-	-	107,855	-	-	107,855
Amortized Cost	(21,505)	21,505	-	-	-	-
Investment Income-Revenue Fund	(1,606)	-	-	1,032	-	(574)
Treasury Services	645	-	-	-	-	645
Decommissioning and Site Restoration(1)	25,117	(25,117)	4,051	-	-	4,051
ISFSI Decommissioning	296	(296)	220	-	-	220
Depreciation	89,336	(89,336)	-	-	-	-
Subtotal Fixed Expenses	\$ 252,744	\$ (93,244)	\$ 569,546	\$ 1,032	\$ -	\$ 730,078
Total	\$ 590,145	\$ (148,585)	\$ 596,272	\$ 1,032	\$ -	\$ 1,038,864

(1) Decommissioning and Site Restoration paid directly by the Bonneville Power Administration

Note: Controllable cost and cash is equal due to BPA decision to Direct Pay and the institution of contractor time & labor.

Table 8
Annual Budget
Statement of Funding Requirements (Revenue Fund)
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020</u> <u>Budget</u>	<u>Original</u> <u>FY 2019</u> <u>Budget</u>	<u>Variance</u>
<u>Operating</u>			
Controllable Expense	\$ 209,728	\$ 265,943	\$ (56,215)
Controllable Capital	67,819	110,047	(42,228)
Nuclear Fuel	20,357	64,699	(44,342)
Fuel Litigation	185	185	-
Spares/Inventory Growth	5,300	6,900	(1,600)
Generation Taxes	5,397	6,248	(851)
Subtotal Operating Requirements	\$ 308,786	\$ 454,022	\$ (145,236)
<u>Fixed</u>			
Treasury Related Expenses			
Interest on Bonds	\$ 155,341	\$ 150,326	\$ 5,015
Build America Bond Subsidy	(4,115)	(4,098)	(17)
Interest on Note	9,235	4,736	4,499
Payoff of Note Principal	457,420	302,050	155,370
Bond Retirement (1)	107,855	194,965	(87,110)
Investment Income-Revenue Fund	(574)	(430)	(144)
Treasury Services/Paying Agent Fees	645	730	(85)
Decommissioning and Site Restoration Costs (2)	4,051	3,741	310
Asset Retirement Obligation (ARO) Estimate	-	500	(500)
ISFSI Decommissioning Costs	220	205	15
Subtotal Fixed	\$ 730,078	\$ 652,725	\$ 77,353
Total Funding Requirements	\$ 1,038,864	\$ 1,106,747	\$ (67,883)
<u>Funding Sources</u>			
Direct Pay from BPA / Net Billing (3)	\$ 668,852	\$ 433,214	\$ 235,638
Note / Line of Credit Draws (4)	-	168,000	(168,000)
Bond Proceeds (5)	67,781	109,722	(41,941)
Fuel Revenue	230,420	161,150	69,270
Line of Credit / Fuel Revenue (6)	67,760	230,420	(162,660)
Columbia Decommissioning Trust Funds	-	500	(500)
Bonneville Direct Funding Decommissioning	4,051	3,741	310
Total Funding Sources	\$ 1,038,864	\$ 1,106,747	\$ (67,883)

(1) \$249.7 million of maturing July 2020 bonds are expected to be extended while \$107.9 million will be repaid.

(2) BPA directly funds the requirements for the Decommissioning and Site Restoration Funds on behalf of Energy Northwest.

(3) Bonneville will direct pay the monthly funding requirements under the provisions of the Direct Pay Agreement.

(4) Draws against Note / Line of Credit for O&M / Interest Expense through June 2019.

(5) Bond Proceeds do not include funding of approximately \$38k related to the Energy Northwest Office Complex.

(6) Line of Credit / Fuel Revenue includes proceeds related to the scheduled TVA revenue to be received by 9/30/20.

Table 9
Monthly Statement of Funding Requirements
 (Dollars in Thousands)

Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2020 Total
Beginning Balance	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Disbursements													
Operating													
Controllable Expense	\$ 26,100	\$ 18,500	\$ 16,100	\$ 20,100	\$ 15,900	\$ 15,900	\$ 16,900	\$ 16,500	\$ 16,600	\$ 15,500	\$ 15,600	\$ 16,028	\$ 209,728
Controllable Capital	5,000	5,500	5,600	5,700	5,000	6,000	6,800	5,000	5,900	5,900	5,900	5,519	67,819
Nuclear Fuel In Process	10,598	365	365	365	1,802	365	365	365	365	365	4,675	362	20,357
Fuel Litigation	-	-	-	-	35	75	75	-	-	-	-	-	185
Spares/Inventory Growth	-	1,325	-	-	1,325	-	-	1,325	-	-	1,325	-	5,300
Generation Taxes	-	-	-	-	-	-	-	-	-	-	-	5,397	5,397
Subtotal Operating	\$ 41,698	\$ 25,690	\$ 22,065	\$ 26,165	\$ 24,062	\$ 22,340	\$ 24,140	\$ 23,190	\$ 22,865	\$ 21,765	\$ 27,500	\$ 27,306	\$ 308,786
Fixed													
Treasury Related Expenses													
Interest on Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,341	\$ 155,341
BABs Subsidy	-	-	-	-	-	(2,057)	-	-	-	-	-	(2,058)	(4,115)
Interest on Note	-	-	1,750	-	-	-	-	-	-	-	-	-	7,485
Payoff of Note Principal	-	-	230,420	-	-	-	-	-	-	-	-	227,000	457,420
Bond Retirement (1)	-	-	-	-	-	-	-	-	-	-	-	107,855	107,855
Investment Income	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(47)	(47)	(574)
Treasury Services	54	54	54	54	54	54	54	54	54	53	53	53	645
Decommissioning and													
Site Restoration	-	-	4,051	-	-	-	-	-	-	-	-	-	4,051
ISFSI Decommissioning	220	-	-	-	-	-	-	-	-	-	-	-	220
Subtotal Fixed	\$ 226	\$ 6	\$ 236,227	\$ 6	\$ 6	\$ 72,949	\$ 6	\$ 6	\$ 6	\$ 5	\$ 6	\$ 420,629	\$ 730,078
Total Disbursements	\$ 41,924	\$ 25,696	\$ 258,292	\$ 26,171	\$ 24,068	\$ 95,289	\$ 24,146	\$ 23,196	\$ 22,871	\$ 21,770	\$ 27,506	\$ 447,935	\$ 1,038,864
Funding Sources													
BPA Direct Pay (2)	\$ 36,924	\$ 20,196	\$ 18,221	\$ 20,471	\$ 19,068	\$ 89,289	\$ 17,346	\$ 18,196	\$ 16,971	\$ 15,870	\$ 21,606	\$ 374,694	\$ 668,852
Bond Proceeds	5,000	5,500	5,600	5,700	5,000	6,000	6,800	5,000	5,900	5,900	5,900	5,481	67,781
Fuel Revenue	-	-	230,420	-	-	-	-	-	-	-	-	-	230,420
Line of Credit / Fuel Revenue	-	-	-	-	-	-	-	-	-	-	-	67,760	67,760
BPA - Decommissioning	-	-	4,051	-	-	-	-	-	-	-	-	-	4,051
Total Funding Sources	\$ 41,924	\$ 25,696	\$ 258,292	\$ 26,171	\$ 24,068	\$ 95,289	\$ 24,146	\$ 23,196	\$ 22,871	\$ 21,770	\$ 27,506	\$ 447,935	\$ 1,038,864
Ending Balance	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000

(1) \$249.7 million of 7/1/2020 maturing bonds are expected to be refunded. The remaining \$107.9 are expected to be paid off.
 (2) BPA is billed, through the Direct Pay Agreements, one month in advance for the following month's expenses.

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Fiscal Year 2020 Columbia Generating Station Long Range Plan

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BPA Rate Case	RC		RC		RC		RC		RC		RC
Columbia Fiscal Year	FY20	FY21 (R25)	FY22	FY23 (R26)	FY24	FY25 (R27)	FY26	FY27 (R28)	FY28	FY29 (R29)	FY30
Operations & Maintenance (O&M) Costs											
Baseline Costs	\$ 125,329	\$ 124,773	\$ 123,662	\$ 120,199	\$ 115,626	\$ 119,717	\$ 116,003	\$ 116,068	\$ 110,134	\$ 114,886	\$ 112,284
Outage Costs (Incremental)	\$ -	\$ 22,542	\$ -	\$ 20,741	\$ -	\$ 20,025	\$ -	\$ 20,024	\$ -	\$ 20,024	\$ -
Indirect Allocations ▼	\$ 77,378	\$ 81,040	\$ 82,026	\$ 81,553	\$ 77,461	\$ 76,634	\$ 75,650	\$ 78,611	\$ 79,527	\$ 80,785	\$ 78,154
Plant Projects	\$ 6,039	\$ 32,811	\$ 7,774	\$ 34,925	\$ 7,727	\$ 41,413	\$ 7,808	\$ 47,240	\$ 10,028	\$ 43,621	\$ 8,584
Facilities Projects	\$ 982	\$ 1,002	\$ 1,002	\$ 1,002	\$ 1,002	\$ 1,002	\$ 1,002	\$ 1,002	\$ 1,002	\$ 1,002	\$ 1,002
Risk Reserve	\$ -	\$ -	\$ 1,438	\$ 1,952	\$ 1,191	\$ 1,843	\$ 1,212	\$ 1,960	\$ 1,880	\$ 1,676	\$ 2,876
Subtotal O&M Costs	\$ 209,728	\$ 262,169	\$ 215,903	\$ 260,371	\$ 203,006	\$ 260,634	\$ 201,675	\$ 264,906	\$ 202,570	\$ 261,994	\$ 202,900
Escalation (3% Labor / 2% Non-Labor)	\$ -	\$ 6,068	\$ 10,335	\$ 18,275	\$ 17,751	\$ 30,324	\$ 29,149	\$ 44,104	\$ 39,656	\$ 57,327	\$ 51,004
Total O&M Costs (escalated)	\$ 209,728	\$ 268,237	\$ 226,237	\$ 278,646	\$ 220,757	\$ 290,958	\$ 230,824	\$ 309,010	\$ 242,227	\$ 319,321	\$ 253,904
Capital Costs											
Plant Projects *	\$ 26,855	\$ 58,753	\$ 29,568	\$ 34,188	\$ 19,925	\$ 47,664	\$ 21,212	\$ 37,725	\$ 37,239	\$ 58,444	\$ 36,397
Risk Reserve	\$ 5,154	\$ 12,616	\$ 9,452	\$ 10,826	\$ 12,022	\$ 15,453	\$ 18,565	\$ 15,689	\$ 14,906	\$ 7,859	\$ 22,231
Facilities Projects	\$ 759	\$ 636	\$ 636	\$ 636	\$ 636	\$ 636	\$ 636	\$ 636	\$ 636	\$ 636	\$ 636
Information Technology Projects	\$ 11,801	\$ 7,792	\$ 5,926	\$ 6,368	\$ 8,131	\$ 6,779	\$ 5,594	\$ 7,014	\$ 7,014	\$ 7,506	\$ 8,418
Indirect Allocations ▼	\$ 13,203	\$ 14,351	\$ 9,057	\$ 10,944	\$ 11,473	\$ 13,719	\$ 13,732	\$ 12,196	\$ 10,315	\$ 10,489	\$ 10,390
Subtotal Capital Costs	\$ 65,976	\$ 106,648	\$ 63,770	\$ 72,450	\$ 62,043	\$ 95,754	\$ 69,576	\$ 83,555	\$ 82,146	\$ 99,379	\$ 90,898
Escalation (3% Labor / 2% Non-Labor)	\$ -	\$ 2,957	\$ 3,447	\$ 5,789	\$ 8,186	\$ 12,444	\$ 10,775	\$ 13,152	\$ 15,579	\$ 25,959	\$ 22,051
Total Capital Costs (escalated)	\$ 65,976	\$ 109,605	\$ 67,217	\$ 78,238	\$ 70,229	\$ 108,199	\$ 80,350	\$ 96,708	\$ 97,724	\$ 125,338	\$ 112,949
Fuel Costs											
Nuclear Fuel Amortization **	\$ 55,578	\$ 49,428	\$ 55,437	\$ 49,449	\$ 53,556	\$ 47,726	\$ 54,889	\$ 48,896	\$ 55,997	\$ 49,748	\$ 55,997
Subtotal Fuel Costs	\$ 55,578	\$ 49,428	\$ 55,437	\$ 49,449	\$ 53,556	\$ 47,726	\$ 54,889	\$ 48,896	\$ 55,997	\$ 49,748	\$ 55,997
Total Un-escalated Budget	\$ 331,282	\$ 418,245	\$ 335,109	\$ 382,270	\$ 318,605	\$ 404,114	\$ 326,139	\$ 397,357	\$ 340,713	\$ 411,121	\$ 349,795
Total Escalation	\$ -	\$ 9,025	\$ 13,782	\$ 24,064	\$ 25,937	\$ 42,768	\$ 39,924	\$ 57,256	\$ 55,235	\$ 83,286	\$ 73,055
Total Cost - Industry Basis	\$ 331,282	\$ 427,270	\$ 348,891	\$ 406,333	\$ 344,542	\$ 446,883	\$ 366,064	\$ 454,614	\$ 395,948	\$ 494,408	\$ 422,851
Generation/Cost of Power											
Total Net Generation (Gwh)	9,833	8,731	9,806	8,731	9,833	8,731	9,806	8,731	9,833	8,731	9,806
Outage Days		40		40		40		40		40	
Cost of Power (Cents per kWh)	\$ 3.37	\$ 4.79	\$ 3.42	\$ 4.38	\$ 3.24	\$ 4.63	\$ 3.33	\$ 4.55	\$ 3.46	\$ 4.71	\$ 3.57
Cost of Power (Cents per kWh, escalated)	\$ 3.37	\$ 4.89	\$ 3.56	\$ 4.65	\$ 3.50	\$ 5.12	\$ 3.73	\$ 5.21	\$ 4.03	\$ 5.66	\$ 4.31

Key Assumption/Qualifications (Revision - 3/19/19)

Escalation Rate = Labor 3% and Non-labor 2%

Net Generation 1160 Mwe; assumes 1% unplanned/ 2.5% planned loss

▼ Potential Financial Risk; * Includes moveable capital ** Does not include fuel costs associated with generation increase

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Fiscal Year 2020 Packwood Lake Hydroelectric Project Annual Operating Budget

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Table of Contents

	<u>Table</u>	<u>Page</u>
Summary		3
Key Assumptions/Qualifications		4
Summary of Operating and Capital Costs	Table 1	5
Summary of Revenues	Table 2	6
Summary of Full Time Equivalent Positions	Table 3	6
Cost-to-Cash Reconciliation	Table 4	8
Statement of Funding Requirements	Table 5	9
Monthly Statement of Funding Requirements	Table 6	10

Summary

The Packwood Lake Hydroelectric Project (Packwood), the first electrical generating project undertaken by Energy Northwest, began commercial operation in June 1964. Occupying 660 acres of the Gifford Pinchot National Forest in south central Washington, Packwood consists of a dam at Packwood Lake; a five mile long system of pipeline, tunnels and Penstock; and a 27,500 kilowatt-rated, underground powerhouse located 1,800 feet below the lake elevation. The reservoir is fed by Upper Lake Creek and several small tributaries that rely exclusively on direct rainfall and snow melt for their water supply.

The total net Fiscal Year 2020 operating and capital cost combined is estimated to be \$4,370,000 (Table 1), with associated funding requirements of \$4,109,000 (Table 5). The difference between total program cost and net funding requirements is due to depreciation (Table 4).

Key Assumptions/Qualifications

- The Project budget has been reviewed and approved by the participants.
- Generation is estimated at 91,060 MWh, which reflects 5-year average of the plant output and further reduced by approximately 10% due to impacts of actions required under the new operating license.
- The Fiscal Year 2020 Budget includes costs for mitigation activities required under the new operating license which was obtained in October 2018.

Table 1
Summary of Operating and Capital Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020 Budget</u>	<u>Original FY 2019 Budget</u>	<u>Variance</u>
<u>Operating Costs</u>			
Operating & Support Services	\$ 2,427	\$ 2,310	\$ 117
Generation Taxes	22	22	-
Depreciation	261	125	136
Subtotal Operating Costs	<u>\$ 2,710</u>	<u>\$ 2,457</u>	<u>\$ 253</u>
Interest/Financing (Net)	(36)	(15)	(21)
Total Cost	<u>\$ 2,674</u>	<u>\$ 2,442</u>	<u>\$ 232</u>
Total Net Generation (MWh)	<u>91,060</u>	<u>93,520</u>	<u>(2,460)</u>
Cost of Power (\$/MWh) (1)	<u>\$ 29.37</u>	<u>\$ 26.11</u>	<u>\$ 3.25</u>
Total Capital Cost	<u>\$ 1,696</u>	<u>\$ 819</u>	<u>\$ 877</u>
Total Operating and Capital Cost	<u>\$ 4,370</u>	<u>\$ 3,261</u>	<u>\$ 1,109</u>

(1) Cost of Power includes Operating & Support Services, Generation Taxes, Depreciation, and Net Interest/Financing costs.

Table 2
Summary of Revenues
 (Dollars in Thousands)

<u>Description</u>	<u>FY 2020</u> <u>Budget</u>	<u>Original</u> <u>FY 2019</u> <u>Budget</u>	<u>Variance</u>
<u>Revenues</u>			
Participant Billings	\$ 2,841	\$ 2,758	\$ 83

Variance - () Unfavorable

Table 3
Summary of Full Time Equivalent Positions *

<u>Description</u>	<u>FY 2020</u> <u>Budget</u>	<u>FY 2019</u> <u>Budget</u>	<u>Variance</u>
Operations & Maintenance	4	4	-

* Includes Allocations of Corporate Full Time Equivalent Positions

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Table 4
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2020 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2020 Total Cash
Operating						
O&M and Support Services	\$ 2,427	\$ -	\$ -	\$ -	\$ -	\$ 2,427
Generation Taxes	22	-	-	-	-	22
Depreciation	261	(261)	-	-	-	-
Subtotal Operating	\$ 2,710	\$ (261)	\$ -	\$ -	\$ -	\$ 2,449
Licensing						
Maintain License & Permits		\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Licensing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest/Financing						
Interest Income	\$ (47)	\$ -	\$ -	\$ -	\$ -	\$ (47)
Treasury Services	11	-	-	-	-	11
Loan Repayment	-	-	-	-	-	-
Subtotal Net Interest/Financing	\$ (36)	\$ -	\$ -	\$ -	\$ -	\$ (36)
Capital	\$ 1,696	\$ -	\$ -	\$ -	\$ -	\$ 1,696
Refund to Members	-	-	-	-	-	-
Total Disbursements	\$ 4,370	\$ (261)	\$ -	\$ -	\$ -	\$ 4,109
Funding Sources						
Participants Billings	\$ 2,841	\$ -	\$ -	\$ -	\$ -	\$ 2,841
Beginning Packwood Funds	-	-	2,406	-	-	2,406
Total Funding Sources	\$ 2,841	\$ -	\$ 2,406	\$ -	\$ -	\$ 5,247
Ending Working Capital	\$ (1,529)	\$ (261)	\$ 2,406	\$ -	\$ -	\$ 1,138

Table 5
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	FY 2020 Budget	Original FY 2019 Budget	Variance
Beginning Packwood Funds Balance	\$ 2,406	\$ 2,262	\$ 144
<u>Funding Requirements</u>			
<u>Operating</u>			
Operating & Support Services	\$ 2,427	\$ 2,310	\$ 117
Generation Taxes	22	22	-
Subtotal Operating	\$ 2,449	\$ 2,332	\$ 117
<u>Interest/Financing</u>			
Interest Income	\$ (47)	\$ (29)	\$ (18)
Treasury Services	11	14	(3)
Subtotal Net Interest/Financing	\$ (36)	\$ (15)	\$ (21)
Capital	\$ 1,696	\$ 819	\$ 877
Total Funding Requirements	\$ 4,109	\$ 3,136	\$ 973
<u>Funding Sources</u>			
Participants Billings	2,841	2,758	83
Total Funding Sources	\$ 2,841	\$ 2,758	\$ 83
Ending Packwood Funds Balance	\$ 1,138	\$ 1,884	\$ (746)

Table 6
Monthly Statement of Funding Requirements
(Dollars in Thousands)

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2020 Total
Beginning Balance	\$ 2,406	\$ 2,303	\$ 2,199	\$ 2,096	\$ 1,991	\$ 1,889	\$ 1,785	\$ 1,682	\$ 1,577	\$ 1,475	\$ 1,372	\$ 1,247	\$ 2,406
Receipts													
Participants Billings	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 2,841
Total Receipts	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 237	\$ 2,841
Disbursements													
Operations Disbursements													
O&M and Support Services	\$ 202	\$ 202	\$ 202	\$ 203	\$ 202	\$ 202	\$ 202	\$ 203	\$ 202	\$ 202	\$ 202	\$ 203	\$ 2,427
Generation Taxes	-	-	-	-	-	-	-	-	-	-	22	-	22
Subtotal Operations	\$ 202	\$ 202	\$ 202	\$ 203	\$ 202	\$ 202	\$ 202	\$ 203	\$ 202	\$ 202	\$ 224	\$ 203	\$ 2,449
Interest/Financing													
Investment Income	(3)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(47)
Treasury Services	-	2	-	2	-	2	-	2	-	1	-	2	11
Subtotal Interest/Financing Related	\$ (3)	\$ (2)	\$ (4)	\$ (2)	\$ (4)	\$ (2)	\$ (4)	\$ (2)	\$ (4)	\$ (3)	\$ (4)	\$ (2)	\$ (36)
Capital	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 145	\$ 1,696
Total Disbursements	\$ 340	\$ 341	\$ 339	\$ 342	\$ 339	\$ 341	\$ 339	\$ 342	\$ 339	\$ 340	\$ 361	\$ 346	\$ 4,109
Ending Balance	\$ 2,303	\$ 2,199	\$ 2,096	\$ 1,991	\$ 1,889	\$ 1,785	\$ 1,682	\$ 1,577	\$ 1,475	\$ 1,372	\$ 1,247	\$ 1,138	\$ 1,138

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Fiscal Year 2020 Nine Canyon Wind Project Annual Operating Budget

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Table of Contents

	<u>Table</u>	<u>Page</u>
Summary		3
Key Assumptions/Qualifications		4
Summary of Operations	Table 1	5
Summary of Full Time Equivalent Positions	Table 2	6
Cost-to-Cash Reconciliation	Table 3	8
Statement of Funding Requirements	Table 4	9
Monthly Statement of Funding Requirements	Table 5	10
Bank Accounts	Table 6	11
Operations & Maintenance - Budget & Forecast Long Range Plan	Table 7	12

Summary

The Nine Canyon Wind Project is located in the Horse Heaven Hills area southeast of Kennewick, Washington.

Phase I of the project, which began commercial operation in September 2002, consists of 37 wind turbines, each with a maximum generating capacity of approximately 1.3 megawatts of electricity, for a total wind capacity of 48.1 megawatts. Phase II of the project, which was declared operational December 31, 2003, included an additional 12 wind turbines with an aggregate generating capacity of approximately 15.6 megawatts. Phase III of the project, which was declared operational April 1, 2008, included an additional 14 wind turbines, each with a maximum generating capacity of approximately 2.3 megawatts of electricity, for a total wind capacity of 32.2 megawatts. The total project generating capability is approximately 95.9 megawatts.

For Phase I and II the turbines are installed in rows with about 500 feet between turbines. Each three-blade turbine consists of a tubular steel tower 200 feet in height, three 100-foot turbine blades attached to a rotor, and a nacelle that houses a generator, gear box and braking mechanisms.

For Phase III the turbines are installed in rows with about 600 feet between turbines. Each three-blade turbine consists of a tubular steel tower 262 feet in height, three 147-foot turbine blades attached to a rotor, and nacelle that houses a generator, gear box and braking mechanisms.

Electricity generated by the project is purchased by Pacific Northwest Public Utility Districts whose customers have expressed an interest in purchasing at least a portion of their electricity from green power sources. Phase I, II, and III participants have signed a power purchase agreement with Energy Northwest through 2030. The project is connected to the Bonneville Power Administration transmission grid via a substation and transmission lines constructed by the Benton County Public Utility District.

For Fiscal Year 2020, the total funding requirements equal \$18,198,000 (Table 4) with revenue of \$18,448,000 (Table 1) resulting in a net cash deposit of \$250,000 (Table 4).

The Fiscal Year 2020 Budget is presented on a cost basis and includes a cost to cash reconciliation (Table 3) illustrating the conversion of the cost data to a cash basis.

A comparison of the Fiscal Year 2020 Budget is made to the original budget issued for Fiscal Year 2019.

Key Assumptions/Qualifications

This budget will provide funding for continued operation and maintenance of the project. This is based upon the key assumptions and qualifications stated below.

- The Project budget has been reviewed and approved by the participants.
- Billing Price for electrical output is estimated to be \$78.04 per MWh (Table 1) for Fiscal Year 2020. The difference between billing price and cost of power is due to depreciation and debt repayment. Billing price per MWh decrease is driven by higher estimated net generation.
- Estimated Generation is set at 227,100 MWh (Table 1) which is based off of the most recent five year average.
- Turbine manufacturer Bonus A/S provided O&M services and training. Their support of Phase I was completed in August 2005. Phase II support was completed in December 2006. Siemens is currently providing support for Phase III with the Long Term Service Agreement that was extended for a fifteen year term beginning in August 2013.
- Energy Northwest implemented Governmental Accounting Standards Board (GASB) No. 83- Certain Asset Retirement Obligations as required in FY 2019. GASB 83 required a current estimate of the retirement obligation and a change in accounting on recognizing the liability. The major change is the full liability for the retirement obligation is to be booked at the current estimate in today's dollars. The offset to the liability is a deferred outflow, which is amortized over the remaining life of the asset. The resulting straight line charge each year for decommissioning continues until the end of the asset life. At the point of actual decommissioning, the liability is then reduced accordingly for any incurred cash expenditures each period until the asset is fully decommissioned and retired. Decommissioning costs through FY2019 have not been funded. Estimated Asset Retirement Obligation liability is \$2.6 million in 2020 dollars.

Table 1
Summary of Operations
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020 Budget</u>	<u>Original FY 2019 Budget</u>	<u>Variance</u>
<u>Revenue</u>			
Billings	\$ 17,723	\$ 17,723	\$ -
BPA Transmission Revenue	725	1,000	(275)
Total Revenue	\$ 18,448	\$ 18,723	\$ (275)
<u>Operating Costs</u>			
Labor & Overheads	\$ 2,064	\$ 1,940	\$ 124
Equipment/Materials/Services	1,461	1,312	149
Insurance	223	220	3
Site Maintenance & Warranty	1,114	1,114	-
Benton County PUD	189	189	-
Lessee Payments	700	700	-
Risk Reserve	100	100	-
Subtotal Operating Costs	\$ 5,851	\$ 5,575	\$ 276
Generation Taxes	\$ 54	\$ 54	\$ -
Capital	59	60	(1)
BPA Transmission Costs	725	1,000	(275)
Decommissioning	675	98	577
Depreciation	6,822	6,839	(17)
Subtotal Operating, Taxes & Capital Cost	\$ 14,186	\$ 13,626	\$ 560
<u>Net Financing</u>			
Interest/Financing (Net)	1,707	2,305	(598)
Subtotal Net Financing	\$ 1,707	\$ 2,305	\$ (598)
Total Cost	\$ 15,893	\$ 15,931	\$ (38)
Total Net Generation (MWh)	227,100	224,300	2,800
Cost of Power (\$/MWh) (1)	\$ 66.53	\$ 66.30	\$ 0.23
Billing Price to Participants (\$/MWh) (2)	\$ 78.04	\$ 79.01	\$ (0.97)

(1) Cost of Power excludes BPA Transmission and Capital related costs.

(2) Billing Price is the cash requirements for O&M, Capital, and Debt Service of the Project.

Table 2
Summary of Full Time Equivalent Positions *

<u>Description</u>	<u>FY 2020 Budget</u>	<u>Original FY 2019 Budget</u>	<u>Variance</u>
Project Manager / Supervisor	1	1	-
O&M Technicians	9	9	-
Admin & Technical Support	2	2	-
Total	12	12	-

* Includes Allocations of Corporate Full Time Equivalent Positions

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Table 3
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2020 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Requirements	Prior Year Commitments	FY 2020 Total Cash
Operating Costs						
Operating Costs	\$ 5,851	\$ -	\$ -	\$ -	\$ -	\$ 5,851
Generation Tax	54	-	-	-	-	54
Capital	59	-	-	-	-	59
BPA Transmission	725	-	-	-	-	725
Decommissioning (1)	675	(675)	-	-	-	-
Depreciation	6,822	(6,822)	-	-	-	-
Subtotal Operating, Taxes & Capital	\$ 14,186	\$ (7,497)	\$ -	\$ -	\$ -	\$ 6,689
Net Debt Service						
Interest Expense	\$ 3,297	\$ -	\$ -	\$ -	\$ -	\$ 3,297
Bond Retirement	-	-	8,835	-	-	8,835
Amortized Cost	(967)	967	-	-	-	-
Interest Income	(685)	-	-	-	-	(685)
Treasury Services	62	-	-	-	-	62
Subtotal Net Debt Service	\$ 1,707	\$ 967	\$ 8,835	\$ -	\$ -	\$ 11,509
Total Disbursements	\$ 15,893	\$ (6,530)	\$ 8,835	\$ -	\$ -	\$ 18,198
Revenue						
Billings	\$ 17,723	\$ -	\$ -	\$ -	\$ -	\$ 17,723
BPA Transmission	725	-	-	-	-	725
Total Revenue	\$ 18,448	\$ -	\$ -	\$ -	\$ -	\$ 18,448
Cash (Withdrawal) / Deposit						\$ 250

(1) Decommissioning costs through FY2019 have not been funded. Estimated Asset Retirement Obligation liability is \$2.6 million in 2020 dollars.

Table 4
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020 Budget</u>	<u>Original FY 2019 Budget</u>	<u>Variance</u>
<u>Operating Costs</u>			
Labor/Benefits/Overhead	\$ 2,064	\$ 1,940	\$ 124
Equipment/Materials/Services	1,461	1,312	149
Insurance	223	220	3
Site Maintenance & Warranty	1,114	1,114	-
Benton PUD	189	189	-
Lessee Payments	700	700	-
Risk Reserve	100	100	-
Subtotal Operating Costs	<u>\$ 5,851</u>	<u>\$ 5,575</u>	<u>\$ 276</u>
Generation Taxes	\$ 54	\$ 54	\$ -
Capital	59	60	(1)
BPA Transmission	725	1,000	(275)
Subtotal Operating, Taxes & Capital Costs	<u>\$ 6,689</u>	<u>\$ 6,689</u>	<u>\$ -</u>
<u>Net Debt Service</u>			
Interest Expense	\$ 3,297	\$ 3,705	\$ (408)
Bond Retirement	8,835	8,425	410
Interest Income	(685)	(367)	(318)
Treasury Services	62	64	(2)
Subtotal Net Debt Service	<u>\$ 11,509</u>	<u>\$ 11,827</u>	<u>\$ (318)</u>
Total Funding Requirements	<u>\$ 18,198</u>	<u>\$ 18,516</u>	<u>\$ (318)</u>
Funding Sources			
Billings	\$ 17,723	\$ 17,723	\$ -
Participants for BPA Transmission	725	1,000	(275)
Cash Withdrawal / (Deposit)	(250)	(207)	(43)
Total Funding Sources	<u>\$ 18,198</u>	<u>\$ 18,516</u>	<u>\$ (318)</u>

Table 5
Monthly Statement of Funding Requirements
(Dollars in Thousands)

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2020 Total
Beginning Balance	\$ 13,492	\$ 14,406	\$ 15,543	\$ 16,411	\$ 17,548	\$ 18,686	\$ 17,841	\$ 19,010	\$ 20,178	\$ 21,067	\$ 22,235	\$ 23,350	\$ 13,492
Receipts													
Billings	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 1,477	\$ 17,723
BPA Transmission	60	60	60	60	60	60	60	60	60	60	60	60	725
Total Receipts	\$ 1,537	\$ 1,537	\$ 1,537	\$ 1,537	\$ 1,537	\$ 1,537	\$ 1,537	\$ 1,537	\$ 1,537	\$ 1,537	\$ 1,537	\$ 1,537	\$ 18,448
Disbursements													
Operations Disbursements													
Labor & Overheads	\$ 172	\$ 172	\$ 172	\$ 172	\$ 172	\$ 172	\$ 172	\$ 172	\$ 172	\$ 172	\$ 172	\$ 172	\$ 2,064
Equipment/Materials/Services	122	122	122	122	122	121	122	121	122	121	122	122	1,461
Insurance	223	-	-	-	-	-	-	-	-	-	-	-	223
Site Maintenance & Warranty	-	-	269	-	-	275	-	-	280	-	-	290	1,114
Other	82	83	82	83	82	83	82	83	82	83	82	82	989
Generation Taxes	-	-	-	-	-	-	-	-	-	-	54	-	54
Capital	-	-	-	-	-	59	-	-	-	-	-	-	59
BPA Transmission	60	60	60	60	60	60	60	60	60	60	60	60	725
Subtotal Operations	\$ 659	\$ 437	\$ 705	\$ 437	\$ 436	\$ 770	\$ 436	\$ 436	\$ 716	\$ 436	\$ 490	\$ 726	\$ 6,689
Debt Service													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,648	\$ 3,297
Bond Retirement	-	-	-	-	-	-	-	-	-	-	-	8,835	8,835
Investment Income	(41)	(41)	(41)	(41)	(41)	(41)	(73)	(73)	(73)	(73)	(73)	(74)	(685)
Treasury Services	5	4	5	4	4	4	4	6	5	6	5	10	62
Subtotal Debt Service	\$ (36)	\$ (37)	\$ (36)	\$ (37)	\$ (37)	\$ 1,612	\$ (69)	\$ (67)	\$ (68)	\$ (67)	\$ (68)	\$ 10,419	\$ 11,509
Total Disbursements	\$ 623	\$ 400	\$ 669	\$ 400	\$ 399	\$ 2,382	\$ 367	\$ 369	\$ 648	\$ 369	\$ 422	\$ 11,145	\$ 18,198
Ending Balance	\$ 14,406	\$ 15,543	\$ 16,411	\$ 17,548	\$ 18,686	\$ 17,841	\$ 19,010	\$ 20,178	\$ 21,067	\$ 22,235	\$ 23,350	\$ 13,742	\$ 13,742

Table 6
Bank Accounts
(Dollars in Thousands)

Description	FY 2020 Budget	Original FY 2019 Budget	Variance
Phase I Bond Reserve Account	\$ 4,150	\$ 4,171	\$ (21)
Phase II Bond Reserve Account	795	795	-
Phase III Bond Reserve Account	4,620	5,136	(516)
Operating Reserve Account	765	752	13
Reserve and Contingency Account	820	807	13
Revenue Fund	13,492	13,151	341
Total Beginning Balance	\$ 24,642	\$ 24,812	\$ (170)
Addition / (Reduction)	541	398	\$ 143
Total Ending Balance	\$ 25,183	\$ 25,210	\$ (27)

**Table 7
Operations & Maintenance – Budget & Forecast
Long Range Plan
(Dollars in Thousands)**

Description	Budget	Forecast								
	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Operating Costs										
Labor & Overheads	\$ 2,064	\$ 2,116	\$ 2,168	\$ 2,223	\$ 2,278	\$ 2,335	\$ 2,394	\$ 2,453	\$ 2,515	\$ 2,578
Equipment/Materials/Services	1,461	1,497	1,416	1,413	1,447	1,524	1,521	1,558	1,641	1,638
Insurance	223	229	232	237	243	249	256	262	268	275
Long Term Service Agreement	1,114	1,142	1,170	1,200	1,230	1,260	1,292	1,324	1,357	1,391
Lease Payments	700	700	700	700	700	700	700	700	700	700
Benton County PUD	189	143	146	150	153	157	161	165	169	174
Risk Reserve	100	100	100	100	100	100	100	100	100	100
Subtotal Operating Costs	\$ 5,851	\$ 5,926	\$ 5,933	\$ 6,022	\$ 6,152	\$ 6,326	\$ 6,424	\$ 6,563	\$ 6,750	\$ 6,855
Taxes & Capital Costs										
Generation Taxes	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54	\$ 54
Capital	59	60	62	64	65	67	68	70	72	74
BPA Transmission	725	725	725	725	725	725	725	725	725	725
Subtotal Taxes & Capital Costs	\$ 838	\$ 839	\$ 841	\$ 843	\$ 844	\$ 846	\$ 847	\$ 849	\$ 851	\$ 853
Total Operating, Taxes, & Capital Disbursements	\$ 6,689	\$ 6,765	\$ 6,774	\$ 6,865	\$ 6,996	\$ 7,172	\$ 7,271	\$ 7,412	\$ 7,601	\$ 7,708

Key Assumptions/Qualifications:

Escalation Rate = 2.50%; FY 2020 = Base Year, excluding lease payments and generation taxes.

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**Fiscal Year 2020
Project 1
Annual Budget**

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Table of Contents

	<u>Table</u>	<u>Page</u>
Summary		3
Summary of Costs	Table 1	4
Treasury Related Expenses	Table 2	5
Summary of Full Time Equivalent Positions	Table 3	6
Cost-to-Cash Reconciliation	Table 4	8
Annual Budget and Statement of Funding Requirements	Table 5	9
Monthly Statement of Funding Requirements- Revenue Fund	Table 6	10

Summary

The Project 1 Fiscal Year 2020 Annual Budget is prepared by Energy Northwest pursuant to the provisions and requirements of Board of Directors' Resolution No. 769, the Project Agreement and the Net Billing Agreements. The budget includes all costs associated with the project for Fiscal Year 2020 including reuse funding, fixed and variable costs, and treasury related expenses. In addition, the budget includes all funding requirements identified for the project for Fiscal Year 2020.

The total net cost for Fiscal Year 2020 is estimated to be \$27,495,000 (Table 1). Total Funding Requirements of \$45,674,000 (Table 5) less revenue from restoration/demolition and leasing totaling \$3,998,000 will be direct billed to Bonneville Power Administration. Bonneville Power Administration pays directly the funding requirements on a monthly basis under the provisions of the Direct Pay Agreements. This takes the net billing requirements to zero, for the statements which otherwise would be sent to participants in the project, and paid in accordance with the terms of the Net Billing Agreements. The Net Billing Agreements are still in place, but the direct cash payments from Bonneville Power Administration simply takes the participant payment amounts to zero. In the Direct Pay Agreements, Energy Northwest agreed to promptly bill each participant its share of the costs of the project under the Net Billing Agreements, if Bonneville fails to make a payment when due under the Direct Pay Agreements.

A comparison of the Fiscal Year 2020 budget is made to the original budget issued for Fiscal Year 2019.

Table 1
Summary of Costs
(Dollars in Thousands)

	FY 2020 Budget	Original FY 2019 Budget	Variance
Revenue			
Restoration / Demolition (1)	\$ 3,992	\$ 2,657	1,335
Fixed Costs	6	6	-
Total Revenue	\$ 3,998	\$ 2,663	\$ 1,335
Costs			
Site Costs			
Restoration / Demolition	\$ 3,992	\$ 2,657	1,335
Variable Costs	16	16	-
Fixed Costs	398	405	(7)
Subtotal Site Costs	\$ 4,406	\$ 3,078	\$ 1,328
Other			
Treasury Related Expenses	\$ 24,463	\$ 24,873	\$ (410)
Decommissioning	2,624	297	2,327
Subtotal Other Costs	\$ 27,087	\$ 25,170	\$ 1,917
Total Costs	\$ 31,493	\$ 28,248	\$ 3,245
Total Net Costs	\$ 27,495	\$ 25,585	\$ 1,910

(1) Restoration / Demolition receipts from the Bonneville Power Administration restoration trust fund will be used to offset all costs of this initiative.

Table 2
Treasury Related Expenses
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020</u> <u>Budget</u>	<u>Original</u> <u>FY 2019</u> <u>Budget</u>	<u>Variance</u>
Interest Expense (1)	\$ 39,353	\$ 39,375	\$ (22)
Amortized Financing Cost (2)	(15,170)	(14,870)	(300)
Investment Income (Rev. Fund) (3)	(95)	(53)	(42)
Treasury Services (4)	375	421	(46)
Total	<u>\$ 24,463</u>	<u>\$ 24,873</u>	<u>\$ (410)</u>

Assumptions

- (1) Budget assumes all \$1.64 million of maturing principal will be repaid by July 1, 2020 and no bonds will be extended in fiscal year 2020.
- (2) The amortized financing costs are driven by the amortization of the premiums on bond issues.
- (3) Includes income on investment of monies held in the interest and principal accounts and the Reserve and Contingency Fund which are transferred periodically to the Revenue Fund. Investment income earnings rates are forecasted to average 2.25%.
- (4) Includes all non-interest costs of banking, debt, internal labor and overheads.

Table 3
Summary of Full Time Equivalent Positions *

<u>Description</u>	<u>FY 2020 Budget</u>	<u>FY 2019 Budget</u>	<u>Variance</u>
Restoration / Demolition	3	3	-
Site Support	3	3	-
Treasury	1	1	-
Total Positions	7	7	-

* Includes Allocations of Corporate Full Time Equivalent Positions

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Table 4
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2020 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Req'ts	Prior Year's Commitments	FY 2020 Total Cash
Variable Costs	\$ 16	\$ -	\$ -	\$ -	\$ -	\$ 16
Restoration / Demolition (1)	3,992	-	-	-	-	3,992
Fixed Costs	398	-	-	-	-	398
Subtotal Site Costs	\$ 4,406	\$ -	\$ -	\$ -	\$ -	\$ 4,406
Other						
Decommissioning	\$2,624	(\$2,624)	\$ -	\$ -	\$ -	\$ -
Treasury Related						
Interest Expense	39,353	-	-	-	-	39,353
Bond Retirement (2)		-	1,635	-	-	1,635
Amortized Cost	(15,170)	15,170	-	-	-	-
Invest. Income (Rev.)	(95)	-	-	-	-	(95)
Treasury Services	375	-	-	-	-	375
Subtotal Treasury Expenses	\$ 24,463	\$ 15,170	\$ 1,635	\$ -	\$ -	\$ 41,268
Subtotal Other	\$ 27,087	\$ 12,546	\$ 1,635	\$ -	\$ -	\$ 41,268
Total Funding Requirements	\$ 31,493	\$ 12,546	\$ 1,635	\$ -	\$ -	\$ 45,674

(1) Funding will be from BPA Restoration Trust Fund

(2) It is assumed that all \$1.64 million of the maturing 7/1/2020 bonds will be repaid.

Table 5
Annual Budget
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020 Budget</u>	<u>Original FY 2019 Budget</u>	<u>Variance</u>
Programs			
Variable Costs	\$ 16	\$ 16	\$ -
Restoration / Demolition	3,992	2,657	1,335
Fixed Costs	398	405	(7)
Subtotal Site Costs	<u>\$ 4,406</u>	<u>\$ 3,078</u>	<u>\$ 1,328</u>
Treasury Related Expenses			
Interest Expense	\$ 39,353	\$ 44,260	\$ (4,907)
Bond Retirement (1)	1,635	1,350	285
Investment Income (Revenue)	(95)	(99)	4
Prior Year's R&C Surplus	-	(4,186)	4,186
Treasury Services	375	426	(51)
Subtotal Treasury Related	<u>\$ 41,268</u>	<u>\$ 41,751</u>	<u>\$ (483)</u>
Total Funding Requirements	<u>\$ 45,674</u>	<u>\$ 44,829</u>	<u>\$ 845</u>
<u>Funding Sources</u>			
Restoration / Demolition	\$ 3,992	\$ 2,657	\$ 1,335
Fixed Costs	6	6	-
Net Billing/BPA Direct Payments	\$ 41,676	\$ 42,166	\$ (490)
Total Funding Sources	<u>\$ 45,674</u>	<u>\$ 44,829</u>	<u>\$ 845</u>

(1) Budget assumes all \$1.64 million in principal will be repaid in FY2020 and none will be extended.

Table 6
Monthly Statement of Funding Requirements - Revenue Fund
(Dollars in Thousands)

Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2020 Total
Beginning Balance	\$ 3,000	\$ 3,609	\$ 3,220	\$ 2,831	\$ 3,441	\$ 3,052	\$ 3,000	\$ 3,610	\$ 3,221	\$ 2,832	\$ 3,441	\$ 3,051	\$ 3,000
Receipts													
BPA Direct Payments (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,665	\$ 41,676
Restoration / Demolition (2)	999	-	-	998	-	-	998	-	-	997	-	-	3,992
Revenue - Leasing	-	-	-	-	-	3	-	-	-	-	-	3	6
Total Receipts	\$ 999	\$ -	\$ -	\$ 998	\$ -	\$ 20,014	\$ 998	\$ -	\$ -	\$ 997	\$ -	\$ 21,668	\$ 45,674
Disbursements													
Treasury Related Expenses													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,677	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,676	\$ 39,353
Bond Retirement (3)	-	-	-	-	-	-	-	-	-	-	-	1,635	1,635
Investment Income	(7)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(95)
Treasury Services	31	31	31	31	31	31	31	31	31	31	31	34	375
Subtotal Treasury Related	\$ 24	\$ 23	\$ 23	\$ 23	\$ 23	\$ 19,700	\$ 23	\$ 23	\$ 23	\$ 23	\$ 23	\$ 21,337	\$ 41,268
Variable Costs	-	-	-	-	-	-	-	-	-	-	-	16	16
Restoration / Demolition	333	333	333	332	333	333	332	333	333	332	333	332	3,992
Fixed Costs	33	33	33	33	33	33	33	33	33	33	34	34	398
Total Disbursements	\$ 390	\$ 389	\$ 389	\$ 388	\$ 389	\$ 20,066	\$ 388	\$ 389	\$ 389	\$ 388	\$ 390	\$ 21,719	\$ 45,674
Ending Balance	\$ 3,609	\$ 3,220	\$ 2,831	\$ 3,441	\$ 3,052	\$ 3,000	\$ 3,610	\$ 3,221	\$ 2,832	\$ 3,441	\$ 3,051	\$ 3,000	\$ 3,000

(1) BPA is billed, through the Direct Payment Agreements, one month in advance for the following month's expenses.

(2) Funding will be from BPA Restoration Trust Fund

(3) All maturing bonds on 7/1/2020 are expected to be repaid and none planned to be extended.

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**Fiscal Year 2020
Project 3
Annual Budget**

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Table of Contents

	<u>Table</u>	<u>Page</u>
Summary		3
Summary of Costs	Table 1	4
Summary of Full Time Equivalent Positions	Table 2	5
Cost-to-Cash Reconciliation	Table 3	6
Annual Budget/Statement of Funding Requirements	Table 4	7
Monthly Statement of Funding Requirements - Revenue Fund	Table 5	8

Summary

Energy Northwest's Project 3 was terminated in June 1994. Transfer of the Project 3 site to the Satsop Redevelopment Project was completed during Fiscal Year 2000.

This Project 3 Fiscal Year 2020 Annual Budget is prepared by Energy Northwest pursuant to the provisions and requirements of Board of Directors' Resolution No. 775 and the Net Billing Agreements. The Budget includes all costs and funding requirements associated with the debt on Project 3. No other costs are incurred on this project.

The total cost for Fiscal Year 2020 is estimated to be \$26,041,000 (Table 1). The total net funding requirements for Fiscal Year 2020 are \$46,288,000 (Table 4). Bonneville Power Administration pays directly the funding requirements on a monthly basis under the provisions of the Direct Pay Agreements. This takes the net billing requirements to zero, for the statements which otherwise would be sent to participants in the project, and paid in accordance with the terms of the Net Billing Agreements. The Net Billing Agreements are still in place, but the direct cash payments from Bonneville Power Administration simply takes the participant payment amounts to zero. In the Direct Pay Agreements, Energy Northwest agreed to promptly bill each participant its share of the costs of the project under the Net Billing Agreements, if Bonneville fails to make a payment when due under the Direct Pay Agreements.

Table 1
Summary of Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020</u> <u>Budget</u>	<u>Original</u> <u>FY 2019</u> <u>Budget</u>	<u>Variance</u>
Interest Expense (1)	\$ 45,274	\$ 44,260	\$ 1,014
Amortized Financing Cost (2)	(19,507)	(10,474)	(9,033)
Investment Income (3)	(96)	(99)	3
Treasury Services (4)	370	426	(56)
Total	\$ 26,041	\$ 34,113	\$ (8,072)

Assumptions

- (1) Budget assumes all \$0.74 million in principal will be repaid in FY2020 and none will be extended.
- (2) The amortized financing costs are driven by the amortization of the premiums on bonds.
- (3) Includes income on investment of monies held in the Interest and Principal accounts and the Reserve & Contingency Fund which are transferred periodically to the Revenue Fund. Investment income earnings rate is forecasted to average 2.25%
- (4) Includes all non-interest costs of banking, debt, internal labor and overheads.

Table 2
Summary of Full Time Equivalent Positions *

<u>Description</u>	<u>FY 2020 Budget</u>	<u>FY 2019 Budget</u>	<u>Variance</u>
Treasury Related	<u>1</u>	<u>1</u>	<u>-</u>

* Includes Allocations of Corporate Full Time Equivalent Positions

Table 3
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2020 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Req'ts	Prior Year's Commitments	FY 2020 Total Cash
Treasury Related Expenses						
Interest Expense	\$ 45,274	\$ -	\$ -	\$ -	\$ -	\$ 45,274
Bond Retirement (1)	-	-	740	-	-	740
Amortized Financing Cost	(19,507)	19,507	-	-	-	-
Investment Income	(96)	-	-	-	-	(96)
Treasury Services	370	-	-	-	-	370
Subtotal Treasury Related	\$ 26,041	\$ 19,507	\$ 740	\$ -	\$ -	\$ 46,288
Total Funding Requirements	\$ 26,041	\$ 19,507	\$ 740	\$ -	\$ -	\$ 46,288

(1) Budget assumes all \$0.74 million in principal will be repaid in FY2020 and none will be extended.

Table 4
Annual Budget
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020</u> <u>Budget</u>	<u>Original</u> <u>FY 2019</u> <u>Budget</u>	<u>Variance</u>
Treasury Related Expenses			
Interest Expense	\$ 45,274	\$ 44,260	\$ 1,014
Bond Retirement (1)	740	1,350	(610)
Investment Income (Revenue)	(96)	(99)	3
Prior Year's R&C Surplus	-	(4,186)	4,186
Treasury Services	370	426	(56)
Total Funding Requirements	<u>\$ 46,288</u>	<u>\$ 41,751</u>	<u>\$ 4,537</u>
 <u>Funding Sources</u>			
Net Billing/BPA Direct Payments	\$ 46,288	\$ 41,751	\$ 4,537
Total Funding Sources	<u>\$ 46,288</u>	<u>\$ 41,751</u>	<u>\$ 4,537</u>

(1) Budget assumes all \$0.74 million in principal will be repaid in FY2020 and none will be extended.

Table 5
Monthly Statement of Funding Requirements - Revenue Fund
(Dollars in Thousands)

Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY2020 Total
Beginning Balance	\$ 3,000	\$ 2,977	\$ 2,954	\$ 2,931	\$ 2,908	\$ 2,885	\$ 3,000	\$ 2,977	\$ 2,954	\$ 2,931	\$ 2,908	\$ 2,886	\$ 3,000
Receipts													
BPA Direct Payments (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,775						\$ 23,513	\$ 46,288
Total Receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,775	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,513	\$ 46,288
Disbursements													
Treasury Related													
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,637	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,637	\$ 45,274
Bond Retirement (2)	-	-	-	-	-	-	-	-	-	-	-	740	\$ 740
Investment Income	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	\$ (96)
Treasury Services	31	31	31	31	31	31	31	31	31	31	30	30	\$ 370
Total Disbursements	\$ 23	\$ 23	\$ 23	\$ 23	\$ 23	\$ 22,660	\$ 23	\$ 23	\$ 23	\$ 23	\$ 22	\$ 23,399	\$ 46,288
Ending Balance	\$ 2,977	\$ 2,954	\$ 2,931	\$ 2,908	\$ 2,885	\$ 3,000	\$ 2,977	\$ 2,954	\$ 2,931	\$ 2,908	\$ 2,886	\$ 3,000	\$ 3,000

(1) BPA is billed, through the Direct Payment Agreements, one month in advance for the following month's expenses.

(2) Budget assumes all \$0.74 million in principal will be repaid in FY2020 and none will be extended.

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Fiscal Year 2020 Business Development Fund Annual Budget

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Table of Contents

	<u>Table</u>	<u>Page</u>
Summary		3
Key Assumptions/Qualifications		4
Summary of Revenues and Expenses by Business Sector	Table 1	5
Detailed Financial Summary	Table 2	6
Summary of Capital	Table 3	7
Summary of Full Time Equivalent Positions	Table 4	8
Statement of Funding Requirements	Table 5	10
Business Development Fund - Cash Flow	Table 6	11

Summary

The Business Development Fund (BDF) was created by Executive Board Resolution No. 1006 in April 1997 for the purpose of holding, administering, disbursing, and accounting for Energy Northwest costs and revenues generated from engaging in new energy-related business opportunities.

The BDF is managed as an enterprise fund. The budgets are divided by business sector: Applied Technology and Innovation, Business Services, Facilities, Generation, and Professional Services. Each sector may have one or more programs that are managed as a unique business activity. Revenues, expenses, and margins are reported for each program and sector.

For Fiscal Year 2020, the revenue for the BDF equals \$9,770,000 with \$5,640,000 of reimbursable capital while total funding requirements equal \$16,538,000 creating a reduction in fund balance of \$1,128,000 (See Table 5).

A comparison of the Fiscal Year 2020 Budget is made to the original budget issued for Fiscal Year 2019.

Key Assumptions/Qualifications

- Manage, operate, maintain, modify, and support facilities related to power generation.
- Assist members with generation resources, transmission integration, and power management issues.
- Offer cost competitive resource options that manage risk and promote environmental stewardship.
- Invest in key strategic focus areas:
 - Professional / O&M services
 - Electric Vehicle Infrastructure
 - Demand Side Management Resources

Table 1
Summary of Revenues and Expenses by Business Sector
(Dollars in Thousands)

Description	FY 2020 Budget	Original FY 2019 Budget	Variance
Revenues (1)			
Business Services	5,963	5,868	95
Facilities	7	7	-
Generation & Technology Development	718	641	77
Professional Services	3,082	4,156	(1,074)
Total Revenues	\$ 9,770	\$ 10,672	\$ (902)
Expenses (1)			
Business Services (2)	5,650	5,385	265
Facilities	6	4	2
Generation & Technology Development	1,763	1,447	316
Professional Services (3)	2,708	3,713	(1,005)
Total Expenses	\$ 10,127	\$ 10,549	\$ (422)
Net Margin	\$ (357)	\$ 123	\$ (480)

(1) Does not include capital revenue and expenses

(2) Includes \$246,000 in depreciation

(3) Includes \$12,000 in depreciation

Table 2
Detailed Financial Summary
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020 Revenue</u>	<u>FY 2020 Cost</u>	<u>FY 2020 Margin</u>
<u>Business Services</u>			
Columbia Calibration Services	\$ 2,449	\$ 2,449	\$ -
Commercial Calibration Services	1,600	1,159	441
Environmental Laboratory Services	250	388	(138)
Columbia Environmental Laboratory	1,625	1,625	-
Co-Location Rentals / Other	39	29	10
Total Business Services (1)	\$ 5,963	\$ 5,650	\$ 313
<u>Facilities</u>			
Misc Other	\$ 7	\$ 6	\$ 1
Total Facilities	\$ 7	\$ 6	\$ 1
<u>Generation & Technology Development</u>			
DVRI/DSM Operations	\$ 284	\$ 284	\$ -
IT & Cyber Security Services	217	217	-
Small Modular Research	-	44	(44)
New Project Development & Grant Planning	-	807	(807)
Power Marketing	-	186	(186)
Neoen Solar	41	27	14
Energy Storage	-	22	(22)
Electric Vehicle Initiatives	176	176	-
Total Generation	\$ 718	\$ 1,763	\$ (1,045)
<u>Professional Services</u>			
Technical Services	\$ 222	\$ 222	\$ -
Portland Hydro Project	1,400	1,190	210
Roving Work Force	59	94	(35)
Tieton O&M Services	1,400	1,190	210
White Bluffs Solar (2)	1	12	(11)
Total Professional Services	\$ 3,082	\$ 2,708	\$ 374
Total	\$ 9,770	\$ 10,127	\$ (357)

Margin - () Unfavorable

(1) Includes depreciation of \$246,000

(2) Includes depreciation of \$12,000

Note: \$2,151,000 in BDF Business Support is allocated to Energy Services & Development programs.

Table 3
Summary of Capital
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020 Budget</u>	<u>FY 2020 Budget Reimbursable (1)</u>	<u>FY 2020 Net Budget</u>	<u>Original FY 2019 Budget</u>	<u>Variance</u>
Business Sector / Project					
<u>Business Services</u>					
Calibration Laboratory Services	\$ 303	\$ -	\$ 303	\$ 352	\$ (49)
Environmental Laboratory Services	102	-	102	72	30
Total Business Services	\$ 405	\$ -	\$ 405	\$ 424	\$ (19)
<u>Generation & Technology Development</u>					
Horn Rapids SS&T Capital	\$ 4,523	\$ 4,523	\$ -	\$ -	\$ -
Electric Vehicle Capital	1,741	1,117	624	-	624
Total Business Services	\$ 6,264	\$ 5,640	\$ 624	\$ -	\$ 624
Total - Capital	\$ 6,669	\$ 5,640	\$ 1,029	\$ 424	\$ 605

Reimbursed by expected Grant Proceeds and or receipts under established Participants Agreements.

Table 4
Summary of Full Time Equivalent Positions *

Description	FY 2020 Budget	Original FY 2019 Budget	Variance
Business Services Sector (1)	26	25	1
Facilities / Leasing Sector (2)	-	2	(2)
Generation & Technology Development Sector (3)	5	3	2
Indirect Support (4)	12	10	2
Professional Services Sector (5)	4	3	1
Total Positions	47	43	4
Less: FTEs in Labs Supporting Columbia	18	19	(1)
Total Positions Supporting External Business	29	24	5

* Includes Allocations of Corporate Full Time Equivalent Positions

(1) Added an Environmental Business Specialist in the Environmental Lab

(2) IDC Leasing efforts have been completed for IDC

(3) More support in New Project Development and Grant Planning

(4) Additional FTEs allocated Corporate support

(5) Two positions added for Portland Hydro Project (previously contractors); partially offset by other reductions in Roving Work Force and Technical Services

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Table 5
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020 Budget</u>	<u>Original FY 2019 Budget</u>	<u>Variance</u>
<u>Funding Requirements</u>			
Expense Requirements (1)	\$ 9,869	\$ 10,279	\$ (410)
Capital Requirements	6,669	424	6,245
Total Funding Requirements	<u>\$ 16,538</u>	<u>\$ 10,703</u>	<u>\$ 5,835</u>
<u>Funding Sources</u>			
Revenues	\$ 9,770	\$ 10,672	\$ (902)
Capital Reimbursement	5,640	-	5,640
Total Funding Sources	<u>\$ 15,410</u>	<u>\$ 10,672</u>	<u>\$ 4,738</u>
Change in Fund Balance from Operations	<u>\$ (1,128)</u>	<u>\$ (31)</u>	<u>\$ (1,097)</u>

(1) Expenses exclude \$258,000 of depreciation (non-cash item).

Table 6
Business Development Fund - Cash Flow
(Dollars in Thousands)

Description	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2020 Total
Beginning Balance	\$ 8,358	\$ 8,265	\$ 8,172	\$ 8,079	\$ 7,985	\$ 7,890	\$ 7,796	\$ 7,701	\$ 7,607	\$ 7,513	\$ 7,419	\$ 7,324	\$ 8,358
Receipts													
Revenues	\$ 814	\$ 814	\$ 814	\$ 814	\$ 814	\$ 814	\$ 814	\$ 815	\$ 814	\$ 815	\$ 814	\$ 814	\$ 9,770
Capital Reimbursement	470	470	470	470	470	470	470	470	470	470	470	470	5,640
Total Receipts	\$ 1,284	\$ 1,284	\$ 1,284	\$ 1,284	\$ 1,284	\$ 1,284	\$ 1,284	\$ 1,285	\$ 1,284	\$ 1,285	\$ 1,284	\$ 1,284	\$ 15,410
Disbursements													
Expense Requirements	\$ 822	\$ 822	\$ 822	\$ 822	\$ 823	\$ 822	\$ 823	\$ 823	\$ 822	\$ 823	\$ 823	\$ 822	\$ 9,869
Capital Requirements	555	555	555	556	556	556	556	556	556	556	556	556	6,669
Total Disbursements	\$ 1,377	\$ 1,377	\$ 1,377	\$ 1,378	\$ 1,379	\$ 1,378	\$ 1,379	\$ 1,379	\$ 1,378	\$ 1,379	\$ 1,379	\$ 1,378	\$ 16,538
Ending Balance	\$ 8,265	\$ 8,172	\$ 8,079	\$ 7,985	\$ 7,890	\$ 7,796	\$ 7,701	\$ 7,607	\$ 7,513	\$ 7,419	\$ 7,324	\$ 7,230	\$ 7,230

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**Fiscal Year 2020
General Business Unit
Annual Budget**

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Table of Contents

	<u>Table</u>	<u>Page</u>
Summary		3
Summary of Costs	Table 1	4
Corporate Program Costs	Table 2	5
Corporate Program Full Time Equivalent Positions	Table 2A	5
Employee Benefit Costs	Table 3	6
Organizational Overhead	Table 4	7
General Purpose Projects	Table 5	8
Business Unit Allocation of Costs	Table 6	9
Overview of Indirect Cost Pools		10
Indirect Cost Allocation Diagram	Table 7	11
Performance Fee Account Statement of Funding Requirements	Table 8	12

Summary

Presented within the General Business Unit Fiscal Year 2020 budget are the costs for Benefits, Corporate Programs, Organizational Overhead and General Purpose Projects.

The total Fiscal Year 2020 General Business Unit cost is estimated to be \$100,533,000 (Table 1).

Corporate Program costs and staffing are shown separately to identify the services being provided to each business unit as opposed to employee related benefits. Fiscal Year 2020 Corporate costs are estimated to be \$15,336,000 (Table 2).

Benefits which include health care, personal time/holidays, employer portion of social security and Washington State Employees' Retirement System, 401(k) matching, and other related costs are estimated to be \$67,370,000 (Table 3).

Organizational Overhead which includes at-risk compensation, tuition and relocation reimbursements as well as other related costs is estimated to be \$13,332,000 (Table 4).

General Purpose Projects are composed of Corporate IT Projects and the Capital Development Corporation (CDC) facility. The Corporate IT Projects are estimated to be \$4,239,000 (Table 5). The CDC facility is not expected to realize any revenue and is estimated to have \$256,000 in costs for a net loss of \$256,000 (Table 5). The CDC facility estimated net loss of \$256,000 and \$200,000 in Capital Improvements (Table 8) will be funded by the Performance Fee Account.

The General Business Unit costs are allocated to each Business Unit as explained on page 10. Also, the allocation process is depicted in a diagram on Table 7.

The Performance Fee account has been established for the purpose of depositing monies related to fees earned by Energy Northwest. Monies within this account are used to fund start-up expenses related to Business Development Fund projects, and for other purposes as directed by the Chief Executive Officer (Table 8).

The Fiscal Year 2019 Budget has been adjusted to reclassify certain costs for comparison purposes to the Fiscal Year 2020 Budget.

Table 1
Summary of Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020</u> <u>Budget</u>	<u>Original</u> <u>FY 2019</u> <u>Budget</u>	<u>Variance</u>
Corporate Programs	\$ 15,336	\$ 14,974	\$ 362
Benefits/Personal Time	67,370	68,646	(1,276)
Organizational Overhead	13,332	13,222	110
General Purpose Project - O&M	256	98	158
Total O&M Costs	\$ 96,294	\$ 96,940	\$ (646)
General Purpose Project - Capital	\$ 4,239	\$ 2,945	\$ 1,294
Total Costs	\$ 100,533	\$ 99,885	\$ 648

Table 2
Corporate Program Costs
(Dollars in Thousands)

Description	FY 2020	Original	Variance
	Budget	FY 2019 Budget	
Information Services	\$ 6,117	\$ 5,705	\$ 412
Public Affairs	2,519	2,512	7
Human Resources	1,827	1,825	2
Strategic Planning & Risk Management	1,390	947	443
Senior Management	1,073	1,443	(370)
Legal	865	704	161
Finance/Treasury	853	737	116
Asset Management	287	597	(310)
Environmental & Regulatory Programs	259	243	16
Training	255	220	35
Other	(109)	41	(150)
Total	\$ 15,336	\$ 14,974	\$ 362

Table 2A
Corporate Program Full Time Equivalent Positions

Description	FY 2020	FY 2019	Variance
	Budget	Budget	
Information Services	28	25	3
Human Resources	15	15	-
Finance/Asset Management	11	11	-
Public Affairs	10	10	-
Legal	4	5	(1)
Senior Management	3	3	-
Environmental & Regulatory Programs	2	2	-
Other	1	-	1
Total	74	71	3

Table 3
Employee Benefit Costs
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020</u> <u>Budget</u>	<u>Original</u> <u>FY 2019</u> <u>Budget</u>	<u>Variance</u>
Medical Benefits	\$ 17,711	\$ 18,235	\$ (524)
F.I.C.A.	9,229	9,312	(83)
Retirement:			
WA PERS Contribution	16,997	16,805	192
401(k) Match	3,408	3,419	(11)
Personal Time/Holidays	17,818	17,425	393
Unemployment/Disability/Other	2,207	2,232	(25)
Subtotal	\$ 67,370	\$ 67,428	\$ (58)
Outage	\$ -	\$ 1,218	\$ (1,218)
Total	\$ 67,370	\$ 68,646	\$ (1,276)

Table 4
Organizational Overhead
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020</u> <u>Budget</u>	<u>Original</u> <u>FY 2019</u> <u>Budget</u>	<u>Variance</u>
At-Risk Compensation/Retention/ Employee Recognition	\$ 12,539	\$ 12,490	\$ 49
Relocations	650	577	73
Tuition	143	155	(12)
Total	\$ 13,332	\$ 13,222	\$ 110

Table 5
General Purpose Projects
(Dollars in Thousands)

<u>Description</u>	<u>FY 2020</u> <u>Budget</u>	<u>Original</u> <u>FY 2019</u> <u>Budget</u>	<u>Variance</u>
<u>Capital Projects</u>			
Information Technology (1)	\$ 4,239	\$ 2,945	\$ 1,294
Total Capital Projects	\$ 4,239	\$ 2,945	\$ 1,294
<u>Expense Projects</u>			
Information Technology (1)	\$ -	\$ -	\$ -
CDC - Downtown Building (2)	256	98	158
Total Expense Projects	\$ 256	\$ 98	\$ 158
Total General Purpose Projects	\$ 4,495	\$ 3,043	\$ 1,452

(1) Information Technology costs are managed centrally within Energy Northwest for the benefit of all Business Units. Items must have a useful life greater than one year, and have a procurement cost of greater than \$1,000. Internally developed software projects must be greater than \$250,000 to be capitalized.

(2) CDC Building is an asset of the General Business Unit and is revenue producing. The net revenues or losses are transferred to the Performance Fee Account.

Table 6
Business Unit Allocation of Costs
(Dollars in Thousands)

<u>Business Unit Allocations (Dollars)</u>	FY 2020	Original	Variance
	Budget	FY 2019 Budget	
Project 1	\$ 431	\$ 414	\$ 17
Columbia	90,167	92,162	(1,995)
Project 3	88	90	(2)
Packwood	510	390	120
Nine Canyon Wind Project	888	793	95
Business Development Fund	3,909	2,976	933
Total Allocations	\$ 95,993	\$ 96,825	\$ (832)

<u>Business Unit Allocations (Percentages)</u>	FY 2020	FY 2019	Variance
	Budget	Budget	
Project 1	0.45%	0.43%	0.02%
Columbia	93.93%	95.19%	(1.26%)
Project 3	0.09%	0.09%	0.00%
Packwood	0.53%	0.40%	0.13%
Nine Canyon Wind Project	0.93%	0.82%	0.11%
Business Development Fund	4.07%	3.07%	1.00%
Total Allocations	100.00%	100.00%	0.00%

Note:

Total Business Unit Allocation dollars shown exclude CDC/Other non-allocated costs, thus, will not agree with Table 1.

Overview of Indirect Cost Pools

Energy Northwest makes use of four indirect cost pools. Allocation of these pools is conducted in four sequential steps. A graphical depiction of allocation steps are provided on the following page (Table 7).

Step 1 - Employee Benefits (Resource Category 703)

All costs incurred by Energy Northwest for medical and dental benefits, employer portion of social security and Washington State Employees' Retirement System, 401(k) matching, and other costs associated with employee wellness. Employee benefit costs are allocated to business units and other intermediate cost pools based on regular labor costs. Overtime, temporary and special pay costs receive a reduced rate.

Step 2 – Personal Time (Resource Category 701)

All costs of labor while employees are on Personal Time (e.g., vacation, holiday, sick, etc.) and a pro rata allocation of employee benefits. These costs are allocated to business units and other intermediate cost pools based on regular labor costs.

Step 3 – Organizational Overhead (Resource Category 702)

Contains costs for education reimbursement, new employee relocation, employee labor supporting corporate sponsored initiatives and labor costs determined when goals are evaluated. Also, included is a pro rata allocation of employee benefits and personal time. These costs are allocated to business units and the Corporate Programs cost pool based on regular labor costs.

Step 4 – Corporate Programs (Resource Category 704)

Contains all costs associated with management of Energy Northwest's corporate activities. These costs include costs of finance, legal, administration, human resources, procurement, and information technology. Also, included is a pro rata allocation of employee benefits, personal time, and Organizational Overhead. These costs are allocated over Total Operating and Capital costs.

Table 7
Indirect Cost Allocation Diagram

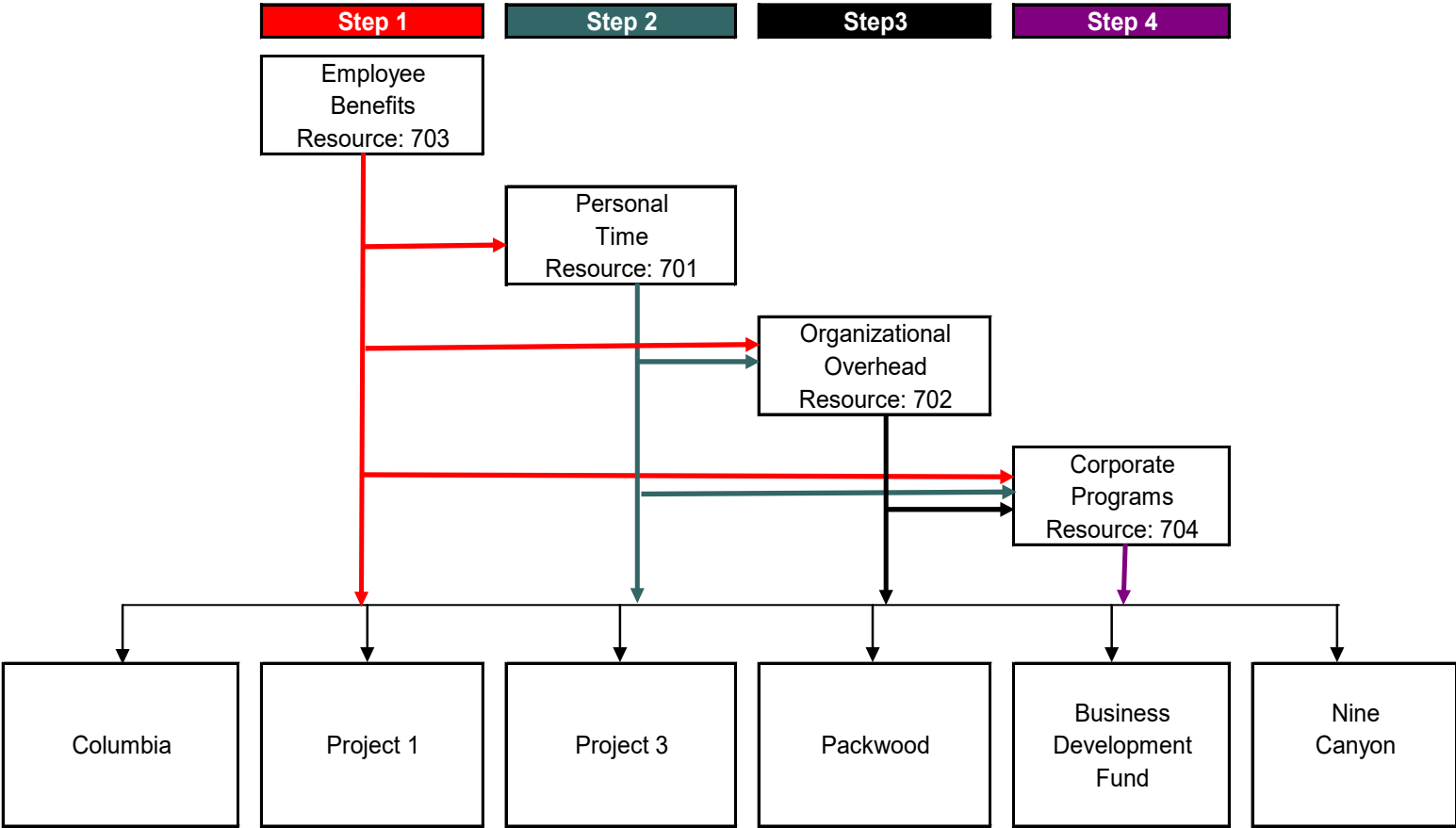


Table 8
Performance Fee Account
Statement of Funding Requirements
(Dollars in Thousands)

	FY 2020 Budget	Original FY 2019 Budget	Variance
<u>Beginning Balance</u>	<u>\$ 4,610</u>	<u>\$ 4,510</u>	<u>\$ 100</u>
<u>Use of Funds</u>			
Transfer to Bus Dev Fund (BDF)	\$ -	\$ -	\$ -
Total Use of Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Source of Funds</u>			
CDC Margin (1)	\$ (456)	\$ (98)	\$ (358)
Transfer from BDF	-	-	-
Investment Income	102	56	46
Total Funding Sources	<u>\$ (354)</u>	<u>\$ (42)</u>	<u>\$ (312)</u>
Ending Balance (2)	<u>\$ 4,256</u>	<u>\$ 4,468</u>	<u>\$ (212)</u>

(1) CDC Margin includes \$200k in capital related expenses.

(2) Internal policy allows portions of the Performance Fee account balance to be either transferred or encumbered by other Business Units.

ALLOCATION: A process to spread indirect overhead costs to other business units based on a common cost pool.

AMORTIZATION: A method of allocating (accruing) costs to fiscal periods to match costs with the revenues or benefits generated from a specific activity.

AMORTIZED FINANCING COSTS: Reflects the capitalized financing costs that were incurred to issue long-term bonds to finance construction of the project or refinance outstanding project bonds, which are being amortized over the life of the bonds.

ANNUAL BUDGET: The amount of resources, expressed in dollars, allocated to a specific project for a given fiscal year.

BASELINE COSTS: Columbia Generating Station (Columbia) direct and indirect costs not associated with projects. Estimated labor associated with projects has been included in the project line item budgets.

BILLING STATEMENTS: A contractual notification to project participants indicating their percentage and dollar share of a net-billed project's annual budget.

BOND PROCEEDS: Monies received from the issuance of bonds.

BOND RESOLUTION: A resolution passed by Energy Northwest's Board of Directors establishing a plan and system for the acquisition and construction of a particular Energy Northwest project. Each of Energy Northwest's projects has a bond resolution. Among other things, the resolution authorizes the issuance of bonds to construct the project and establishes special rules pertaining to the accounting and funding of each project. Each resolution mandates that separate funds and books of accounts be maintained and strictly prohibits the payment of obligations of one project with funds of another project.

BOND RETIREMENT: Funds deposited into the Bond Fund Principal or Bond Fund Retirement accounts used to retire maturing debt or meet sinking fund requirements.

BPA DIRECT PAY AGREEMENTS: Energy Northwest and Bonneville entered into an agreement with respect to each Net Billed Project ("Direct Pay Agreements") pursuant to which, beginning May 2006, Bonneville pays at least monthly all costs for each Net Billed Project, including debt service on the Net Billed Bonds, directly to Energy Northwest. Each Participant pays directly to Bonneville all costs associated with its power sales and other contracts with Bonneville instead of making such payments to Energy Northwest. The Net Billing Agreements provide that Energy Northwest is to bill budgeted costs less

amounts payable from sources other than the Net Billing Agreements to Participants. Direct payments received from Bonneville under the Direct Pay Agreements are considered a source other than the Net Billing Agreements and, therefore, the Net Billing Agreements were not amended. In the Direct Pay Agreements, Energy Northwest agrees to promptly bill each Participant its share of the costs of the respective Project under the Net Billing Agreements if Bonneville fails to make a payment when due under the Direct Pay Agreements.

BUSINESS DEVELOPMENT FUND (BDF): A special enterprise fund created for the purpose of holding, administering, disbursing and accounting for Energy Northwest costs and revenues generated from new energy-related business opportunities. Created by Executive Board Resolution Number 1006 in April 1997.

BUSINESS UNIT: A plan and system authorized by Energy Northwest's Board of Directors. Columbia, WNP-1, WNP-3, Packwood, Business Development Fund, Nine Canyon Wind Project, and General Business Unit are all Business Units. The General Business Unit includes indirect costs that are subsequently allocated to all other business units.

CAPITAL ADDITIONS: Includes improvements and modifications that will be made throughout the operating life of the plant that will be necessary to assure plant safety, reliability, efficiency and cost effectiveness.

CAPITAL COSTS/EQUIPMENT: Costs related to improvements and modifications to the plant or the purchase of equipment. Generally, an item is considered to be capital equipment if it exceeds \$10K, except computer equipment which is \$1K, in value and has a service life of greater than one year. Capital items are depreciated over their estimated service-lives.

CONSTRUCTION FUND: Established pursuant to Bond Fund resolutions, the Construction Fund pays for all costs of construction.

CONTROLLABLE COSTS: Controllable costs include operations, maintenance, capital and overhead costs. They exclude costs related to depreciation, fuel, and financing.

CORPORATE PROGRAMS: The administration, management and general programs that support Energy Northwest as a business entity are accumulated into a Corporate Program indirect cost pool. The Corporate Program costs are distributed based upon total Operating and Capital costs charged to Energy Northwest projects or other final cost objectives. Corporate Programs include, but are not limited to, accounting, human resources, legal services and general management.

COST OF POWER: A measurement, expressed in dollars per megawatt-hour, designed to measure the cost effectiveness of plant operations. Also see Memorandum of Agreement.

COST-TO-CASH RECONCILIATION: A schedule depicting how cost numbers, which are used to manage and control Energy Northwest business units, are converted to cash and funding requirements.

DEBT SERVICE: Amounts paid or required to be paid into the applicable Bond and Reserve & Contingency Fund for purposes of paying the semi-annual coupon interest and annual bond principal redemption.

DECOMMISSIONING: Refers to the plan of dismantlement and site restoration of Columbia. The decommissioning plan for Columbia reflects a 60-year plant life, three years to prepare for protective storage, 60 years of protective storage, and 3.5 years for facility dismantlement and site restoration. A special fund has been established to provide monies necessary to pay for decommissioning.

DEPRECIATION: A systematic and rational basis for allocating capital costs over the service life of an asset. Depreciation may be based on estimated service life in years or production capacity. Depreciation can be viewed as the wear and tear of an asset over time.

ESCALATION: The dollar amount or percentage rate that costs are expected to increase in future periods due to inflation, changes in labor contracts, tax increases, etc.

EXCESS WORKING CAPITAL: The amount in excess of \$3 million that has been designated as the required amount of working capital for the Revenue Fund. To the extent that on June 30, there is more than that amount of monies in the Revenue Fund, such amounts for the current fiscal year are excess amounts to be used to reduce the funding requirements for the project for the subsequent fiscal year.

FISCAL YEAR: The twelve-month period July 1 through June 30. Energy Northwest's accounting and budgeting cycle is based on a fiscal year that spans this period.

FIXED COSTS: Includes non-variable costs that will be incurred regardless of plant operations, output or conditions (e.g., bond interest, depreciation, decommissioning, etc.).

FUND: Established by bond resolutions, a fund is a pool of money set aside to pay specified obligations of the projects. Typically, Energy Northwest project bond resolutions call for construction costs to be paid from the Construction Fund, operations and maintenance costs to be paid from the Revenue Fund,

bond interest payments to be paid from the Interest Account within the Bond Fund, etc. Fund restrictions were established by bond resolutions as a form of security for bondholders.

FUNDING REQUIREMENTS: Identification of the amount of cash required for a given budget period to meet business unit needs.

GENERAL BUSINESS UNIT (GENERAL FUND): A fund established for accounting purposes to pay multi-project obligations and collect and allocate overhead costs to projects.

GENERATION TAXES: Pursuant to RCW 54.28.025, a tax is assessed on Columbia net generation equal to one and one-half percent of the wholesale value of energy produced. An additional surcharge is also assessed pursuant to RCW 82.02.030 equal to seven percent of the generation tax payable.

INCREMENTAL COSTS: Includes those costs that are variable in nature and are directly related to the amount of power produced (e.g., nuclear fuel amortization spent fuel disposal fees, generation taxes, etc.).

INCREMENTAL OUTAGE COSTS: Includes those costs that are needed to support an outage that are not specific to an individual project (e.g., overtime, supplies and materials).

INDIRECT COSTS: Includes costs charged to intermediate cost pools for later allocation. Includes costs associated with Administrative & General (A&G), Information Technology, Organizational Overhead, Employee Benefits, and Absence (see General Business Unit tab for further definition of these cost pools).

INTEREST EXPENSE: The interest on outstanding bonds. Funds are transferred monthly from the Revenue Funds to the Bond Fund Interest Accounts in order to pay the semi-annual coupon interest.

INVENTORY: Operational spare parts, common stock and general materials and supplies purchased by Energy Northwest and stored in warehouses for later use.

INVESTMENT INCOME: Income earned on investment securities.

MATERIALS: Included in materials is the cost of office supplies, software, fuels, oils, chemicals, gases, support materials, and resins.

NET-BILLING: A payment procedure established by net-billing agreements. More than 100 Northwest utilities have purchased all of the project capability of Nuclear Project No. 1, Columbia and Energy Northwest's 70 percent ownership

share of Nuclear Project No. 3. Project Participants have resold such capability to BPA and, in return, BPA is obligated to pay annual costs of these projects, including debt service, by a procedure referred to as net-billing. Project Participants pay Energy Northwest their respective share of annual costs, and BPA pays Project Participants identical amounts by reducing amounts due to BPA by Participants under power sales agreements.

NUCLEAR FUEL AMORTIZATION: Represents the amortization of nuclear fuel costs in a given fiscal year. The cost of nuclear fuel is first capitalized as an asset in order to reflect the value of the unused fuel. At the time the fuel is placed in the reactor, the cost of the fuel is amortized to fiscal periods on the basis of quantity of heat produced.

NUCLEAR FUEL IN PROCESS: The cost of nuclear fuel that is being converted, fabricated, enriched, etc. not having reached a finished state.

OPERATING COSTS: Includes controllable and incremental costs.

ORIGINAL BUDGET: The beginning fiscal year budget for a Business Unit.

OUTSIDE SERVICES: Includes the cost of services provided by outside companies. Energy Northwest uses outside services for various functions including data systems, legal assistance, engineering support, craft support, paying agent and trustee fees, health physics and chemistry, maintenance services and radwaste disposal.

PRIOR YEAR'S RESERVE AND CONTINGENCY FUND SURPLUS: Annually, funds remaining are to be transferred back to the Revenue Fund to be utilized to reduce the funding requirements of the project for the subsequent fiscal year. Monies deposited in the Reserve and Contingency Fund can be expended only for special purposes.

PRIVILEGE TAXES: Pursuant to RCW 54.28.020, a tax is assessed on Packwood and Nine Canyon net generation equal to five percent of the first four mills per kilowatt-hour of revenue obtained from the sale of energy for resale. An additional surcharge is also assessed pursuant to RCW 82.02.030 equal to seven percent of the generation tax payable.

PROJECT PARTICIPANT: Municipalities, public utility districts, investor-owned utilities and electric cooperatives that have purchased a share of project output.

REFINANCING: An Energy Northwest and BPA program to refund higher coupon outstanding debt issued for Projects 1, 3 and Columbia with the goal of reducing total debt service of the projects over the life of the bonds.

RESERVE AND CONTINGENCY FUND REQUIREMENT: Funds equal to 10 to 15 percent of the aggregate required monthly transfers from the Revenue Fund to the Bond Fund Debt Service Accounts are to be transferred monthly from the Revenue Fund to the Reserve and Contingency Fund.

RISK RESERVE: A reserve in the budget set aside for unplanned events.

SPENT FUEL DISPOSAL FEE: The Nuclear Waste Policy Act of 1982 specifies that a waste disposal of one mill be paid to the United States Department of Energy (DOE) for each kilowatt-hour of electricity generated. In return, DOE will accept and dispose of spent nuclear fuel.

STRATEGIC PLANNING: A process undertaken by key managers and staff, approved by the Executive Board, to establish a vision of what Energy Northwest should be in five or more years.